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December 22, 2009

South Dakota Secretary of State
State Capitol, Suite 204
Business Division-Bond
Information Statement Filing
500 East Capitol
Pierre, SD 57501-5070

Re: $2,135,000 Certificates of Participation (Limited Tax General Obligation) Evidencing Proportionate Interests of the Owners in a Lease-Purchase Agreement between U.S. Bank National Association and Pennington County, South Dakota, Series 2009

Dear Filing Officer:

Enclosed for filing is a Bond Information Statement in connection with the above-referenced transaction, together with a check for the $10.00 filing fee. A copy of the Official Statement is also enclosed for your reference.

Please return acknowledgement of filing at your earliest opportunity. If you have any questions, please call me at (612) 371-3909

Very truly yours,

Erin E. Daniels

Erin E. Daniels
Legal Assistant

Enclosure

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DEC 29 2009
S.D. SEC. OF STATE

BOND INFORMATION STATEMENT
State of South Dakota
SDCL 6-8B-19

Return: Secretary of State
State Capitol
500 E. Capitol
Pierre, SD 57501-5077

FILING FEE: $10.00

Every public body, authority, or agency issuing any general obligation, revenue, improvements, industrial revenue, special assessment, or other bonds of any type shall file with the Secretary of State a bond information statement concerning each issue of bonds.

1.	Name of issuer:	Pennington County
2.	Designation of issue:	$2,135,000 Certificates of Participation (Limited Tax General Obligation) Series 2009 Evidencing Proportionate Interests of the Owners in a Lease-Purchase Agreement between U.S. Bank National Association and Pennington County, South Dakota
3.	Date of issue:	December 22, 2009
4.	Purpose of issue:	to refund a portion of the Certificates of Participation (Limited Tax General Obligation) Series 2002 which were issued to finance the acquisition, construction and equipping of an events center at the Pennington County Fairgrounds on certain real property located in Pennington County
5.	Type of bond:	Certificates of Participation Evidencing Proportionate Interests of the Owners in a Lease-Purchase Agreement between U.S. Bank National Association and Pennington County, South Dakota
6.	Principal amount and denomination of bond:	Series 2009 $2,135,000 in denominations of $5,000 or any integral multiple thereof
7.	Paying dates of principal and interest:	See attached Official Statement
8.	Amortization schedule:	See attached Official Statement
9.	Interest rate or rates, including total aggregate interest cost:	See attached Official Statement

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197977

This is to certify that the above information pertaining to Pennington County is true and correct on this 22nd day of December 2009.

LINDQUIST & VENNUM P.L.L.P.,
as Bond Counsel

By: _____

For further information regarding the enclosed filing, contact Elizabeth G. Aby, Lindquist & Vennum P.L.L.P., 4200 IDS Center, Minneapolis, Minnesota (612/371-3535).

NEW ISSUE / BANK QUALIFIED **RATING: Standard & Poor's "AA-"**

In the opinion of Lindquist & Vennum P.L.L.P., Bond Counsel, under existing laws, regulations, rulings and decisions, the interest component of the Lease Payments received by the owners of the 2009 Certificates is not includible in gross income for federal income tax purposes except under certain conditions. The interest component of the Lease Payments received by the owners of the 2009 Certificates is not an item of tax preference for purposes of the federal alternative minimum tax applicable to all taxpayers, including individuals. For purposes of acquisition by banks and other financial institutions the County will designate the Lease and the 2009 Certificates as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. The interest component of the Lease Payments received by the owners of the 2009 Certificates is includable in gross income for South Dakota tax purposes when the owner is a financial institution as defined in South Dakota Codified Laws, Chapter 10-43.

$2,135,000
CERTIFICATES OF PARTICIPATION
SERIES 2009
(LIMITED TAX GENERAL OBLIGATION)
EVIDENCING PROPORTIONATE INTERESTS OF THE OWNERS
OF THE CERTIFICATES OF PARTICIPATION IN A
LEASE PURCHASE AGREEMENT
BETWEEN
U.S. BANK NATIONAL ASSOCIATION
AND
PENNINGTON COUNTY, SOUTH DAKOTA

Dated: Date of Issuance **Due: June 1 and December 1, as shown on inside cover**

The Certificates of Participation (the "2009 Certificates") are being issued to refund a portion of the Certificates of Participation (Limited Tax General Obligation) Series 2002 (the "2002 Certificates") which were issued to finance the acquisition, construction and equipping of an events center at the Pennington County Fairgrounds (the "Facilities") on certain real property (the "Land") located in Pennington County (the "County"). The 2009 Certificates represent proportionate interest, in lease payments (the "Lease Payments") made under a Lease-Purchase Agreement, dated as of May 1, 2002, (the "Original Lease"), as amended and supplemented by the First Amendment to Lease-Purchase Agreement, dated as of November 1, 2009 (the "First Amendment to Lease") (the Original Lease as amended and supplemented by the First Amendment to Lease is referred to herein as the "Lease"), pursuant to which the County, as lessee, has leased the Land and Facilities from U.S. Bank National Association, as successor trustee to The First National Bank in Sioux Falls (the "Trustee"), as lessor. The 2009 Certificates are issued pursuant to a Declaration of Trust, dated as of May 1, 2002 (the "Original Trust"), as amended and supplemented by the First Supplemental Declaration of Trust, dated as of November 1, 2009 (the "First Supplemental Trust") (the Original Trust as amended and supplemented by the First Supplemental Trust is referred to herein as the "Trust Agreement"), by the Trustee, and joined in by the County. The 2009 Certificates are subject to redemption prior to maturity as described herein.

THE COUNTY'S OBLIGATION TO MAKE THE LEASE PAYMENTS UNDER THE LEASE IS A NONCANCELLABLE OBLIGATION OF THE COUNTY, AND IS NOT SUBJECT TO ANY ANNUAL TERMINATION RIGHT OF THE COUNTY. THE OBLIGATION OF THE COUNTY TO MAKE LEASE PAYMENTS UNDER THE LEASE IS A LIMITED TAX GENERAL OBLIGATION OF THE COUNTY, AND ANY AD VALOREM TAXES LEVIED THEREON ARE SUBJECT TO THE COUNTY'S STATUTORY LEVY LIMITS.

The 2009 Certificates are issuable in fully registered form and will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the 2009 Certificates. Purchases of beneficial ownership interests in the 2009 Certificates will be made in book-entry form only, in principal amounts of $5,000 or whole multiples thereof. Beneficial owners of the 2009 Certificates will not receive certificates evidencing their ownership interests in the 2009 Certificates. So long as DTC or its nominee is the registered owner of the 2009 Certificates, payments of principal, redemption price and interest will be made directly to DTC. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to beneficial owners is the responsibility of the DTC participants. See "APPENDIX E—BOOK-ENTRY SYSTEM."

The 2009 Certificates will be subject to redemption prior to maturity. See "THE CERTIFICATES OF PARTICIPATION–REDEMPTION."

Interest due with respect to the 2009 Certificates is payable semiannually on June 1 and December 1 of each year commencing June 1, 2010.

The 2009 Certificates are offered for delivery when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal, cancellation or modification of the offer without notice, subject to delivery to and acceptance by the Underwriter, and subject to certain other conditions, including an opinion of Lindquist & Vennum P.L.L.P., Minneapolis, Minnesota, Bond Counsel, as to legality and tax exemption. Certain legal matters will be passed upon for the County by Glenn A. Brenner, Esq., State's Attorney.

Delivery of the 2009 Certificates offered hereby will be made on or about December 22, 2009, against payment therefor by Dougherty & Company LLC (the "Underwriter").

DOUGHERTY & COMPANY LLC

The date of this Official Statement is December 14, 2009

MATURITY SCHEDULE

Date	Principal Amount	Interest Rate	Price	CUSIP
12/01/2011	$325,000.00	1.000%	100%	708292 DL8
12/01/2012	290,000.00	1.500	100	708292 DN4
12/01/2013	290,000.00	1.800	100	708292 DQ7
12/01/2014	295,000.00	2.200	100	708292 DS3
12/01/2015	300,000.00	2.600	100	708292 DU8
12/01/2016	315,000.00	2.800	100	708292 DW4
12/01/2017	320,000.00	3.000	100	708292 DY0

This Official Statement does not constitute an offer to sell the 2009 Certificates in any state or other jurisdiction to any person whom it is unlawful to make such offer in such state or jurisdiction. No dealer, salesman, or any person has been authorized to give any information or to make any representation other than those contained herein in connection with the offering of the 2009 Certificates, and if given or made, such information or representation must not be relied upon.

The information set forth herein has been obtained from the County, DTC, and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the County or anyone acting on its behalf. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the 2009 Certificates shall, except as specifically stated herein, create any implication that there has been no change in the affairs of the County since the date of this Official Statement.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COUNTY AND TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION OF THE CONTRARY IS A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT CONTAINS STATEMENTS WHICH SHOULD BE CONSIDERED "FORWARD-LOOKING STATEMENTS," MEANING THEY REFER TO POSSIBLE FUTURE EVENTS OR CONDITIONS. SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY THE WORDS SUCH AS "PLAN," "EXPECT," "ESTIMATE," "BUDGET" OR SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE COUNTY DOES NOT EXPECT OR INTEND TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED, OCCUR.

THE 2009 CERTIFICATES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SECTION 3(A)(2) OF SUCH ACT.

Any CUSIP numbers for the 2009 Certificates included in this Official Statement are provided for the convenience of the owners and prospective investors. The County is not responsible for the selection of the CUSIP numbers and makes no representation as to the accuracy thereof as printed on the 2009 Certificates or as set forth in this Official Statement.

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$2,135,000
CERTIFICATES OF PARTICIPATION
SERIES 2009
(LIMITED TAX GENERAL OBLIGATION)
EVIDENCING PROPORTIONATE INTERESTS OF THE OWNERS
OF THE CERTIFICATES OF PARTICIPATION IN A
LEASE PURCHASE AGREEMENT
BETWEEN
U.S. BANK NATIONAL ASSOCIATION
AND
PENNINGTON COUNTY, SOUTH DAKOTA

INTRODUCTION

Definitions

Certain terms used in this Official Statement are defined in Appendix A hereto.

General Description

The purpose of this Official Statement, including the cover pages and Appendices hereto, is to provide information in connection with the offering, sale and delivery of $2,135,000 aggregate principal amount of 2009 Certificates described herein. Each of the 2009 Certificates represents the undivided ownership interest of the Owner thereof in and to the Lease-Purchase Agreement, dated as of May 1, 2002 (the "Original Lease"), as amended and supplemented by the First Amendment to Lease-Purchase Agreement, dated as of November 1, 2009 (the "First Amendment to Lease") (the Original Lease as amended and supplemented by the First Amendment to Lease is referred to herein as the "Lease"), by and between the Trustee as lessor and the County as lessee, and the right to receive certain revenue thereunder, including, without limitation, the Lease Payments due under the Lease, at the times, in the manner and from the sources specified therein.

The Trustee has issued the 2009 Certificates pursuant to a Declaration of Trust, dated as of May 1, 2002 (the "Original Trust"), as amended and supplemented by the First Supplemental Declaration of Trust, dated as of November 1, 2009 (the "First Supplemental Trust") (the Original Trust as amended and supplemented by the First Supplemental Trust is referred to herein as the "Trust Agreement"). The Trustee's interest in the Lease and in the Facilities, including the right to receive Lease Payments, has been assigned to the Trustee for the benefit of the Owners of the Certificates pursuant to the terms of the Trust Agreement. Pursuant to the Lease, the County will remit such Lease Payments directly to the Trustee. The Lease Payments are payable by the County as described in "LEASE-PURCHASE AGREEMENT–Lease Term and Payments."

Pursuant to the Ground Lease, dated as of May 1, 2002 (the "Ground Lease"), the Trustee leased the Land from the County for a term of approximately fifteen (15) years, automatically extendable for an additional 10-year term if the 2009 Certificates have not been paid.

Pursuant to the Lease the Trustee has caused the Facilities to be constructed on the Land and leased the Land and the Facilities to the County for a term of approximately fifteen (15) years.

THE CERTIFICATES OF PARTICIPATION

General Provisions

The 2009 Certificates will be authenticated and issued by the Trustee pursuant to the Trust Agreement. The 2009 Certificates will be initially dated the date of delivery and will mature as shown on the cover page hereof. Interest on the 2009 Certificates is payable on each June 1 and December 1, commencing June 1, 2010. The 2009 Certificates are issuable in denominations of $5,000. Each 2009 Certificate evidences the Owner's right to receive distributions of a portion of the Lease Payments payable by the County pursuant to the Lease.

Principal, redemption price and interest will be payable to the beneficial owners of the 2009 Certificates through the facilities of DTC for so long as the book-entry system is in effect. See "BOOK-ENTRY ONLY SYSTEM" below. In the event that the book-entry system is discontinued for the 2009 Certificates: (i) the principal and redemption price of the 2009 Certificates will be payable at the principal corporate office of the Trustee in Saint Paul, Minnesota; and (ii) interest will be payable by check or draft of the Trustee mailed on the Interest Payment Date to the persons who were registered owners thereof as of the fifteenth (15th) day of the month preceding the Interest Payment Date. If any payment of interest or principal is due on a day that is not a business day, payment is required to be made on the next succeeding business day with the same effect as if paid when otherwise due.

The 2009 Certificates may be transferred or exchanged upon surrender at the principal corporate office of the Trustee, in the manner provided in the Trust Agreement.

Book-Entry Only System

Information concerning The Depository Trust Company, New York, New York ("DTC") and the Book-Entry System (APPENDIX E – BOOK ENTRY ONLY SYSTEM) has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the County, the Underwriter or the Trustee.

Certificates in Book-Entry Form

Beneficial ownership in the 2009 Certificates will be available to Beneficial Owners (as described in APPENDIX E – BOOK ENTRY ONLY SYSTEM) only by or through DTC Participants via a book-entry system (the "Book-Entry System") maintained by DTC. If the 2009 Certificates are taken out of the Book-Entry System and delivered to owners in physical form, as contemplated hereinafter under "Discontinuance of DTC Services," the following discussion will not apply.

Redemption

Extraordinary Redemption. The 2009 Certificates are subject to redemption, in whole, but not in part, on any date for which notice of redemption can be given, at a redemption price equal to their principal amount plus accrued interest, if the County elects, or is required to prepay the Lease Payments upon the occurrence of certain events of damage to, or destruction or condemnation of the Facilities.

Optional Redemption. The 2009 Certificates maturing on and after December 1, 2016 are subject to redemption on and after December 1, 2015, in whole on any date or in part on any interest payment date, at a price equal to the principal amount thereof to be redeemed, plus interest accrued to the date of redemption.

Mandatory Sinking Fund Redemption. The 2009 Certificates maturing on December 1 in the years 2011, 2012, 2013, 2014, 2015, 2016 and 2017 (the "Term Certificates") are subject to mandatory redemption, and will be redeemed pursuant to a mandatory sinking fund redemption, at a redemption price equal to their principal amount plus accrued interest to the date of redemption, on the dates (each such date being a "Sinking Fund Payment Date") and in the amounts (each such amount being a "Mandatory Sinking Fund Payment") as follows:

2009 Certificates Maturing 12/1/2011

Sinking Fund Redemption Dates	Principal Amount
06/01/2010	$ 20,000
12/01/2010	20,000
06/01/2011	145,000
12/01/2011*	140,000

* Maturity

2009 Certificates Maturing 12/1/2012

Sinking Fund Redemption Dates	Principal Amount
06/01/2012	$145,000
12/01/2012*	145,000

2009 Certificates Maturing 12/1/2013

Sinking Fund Redemption Dates	Principal Amount
06/01/2013	$145,000
12/01/2013*	145,000

2009 Certificates Maturing 12/1/2014

Sinking Fund Redemption Dates	Principal Amount
06/01/2014	$145,000
12/01/2014*	150,000

2009 Certificates Maturing 12/1/2015

Sinking Fund Redemption Dates	Principal Amount
06/01/2015	$150,000
12/01/2015*	150,000

2009 Certificates Maturing 12/1/2016

Sinking Fund Redemption Dates	Principal Amount
06/01/2016	$155,000
12/01/2016*	160,000

2009 Certificates Maturing 12/1/2017

Sinking Fund Redemption Dates	Principal Amount
06/01/2017	$160,000
12/01/2017*	160,000

or if less than such amount of Term Certificates is outstanding on any such Sinking Fund Payment Date, an amount equal to the aggregate principal amount of all Term Certificates then outstanding.

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* Maturity

Selection of Certificates for Redemption. The 2009 Certificates shall be called for redemption in inverse order of maturity dates; if less than all 2009 Certificates maturing on the same date are to be redeemed, the 2009 Certificates shall be selected by lot in such manner as the Trustee shall determine; provided that the portion of any 2009 Certificate to be redeemed shall be in the principal amount of $5,000 or any integral multiple thereof.

Notice of Redemption. When redemption is authorized or required, the Trustee shall give the Owners of the 2009 Certificates to be redeemed notice of the redemption of their 2009 Certificates. Such notice shall specify: (a) the 2009 Certificates to be redeemed; (b) the date of redemption; and (c) the place or places where the redemption will be made. Such notice shall further state that on the specified redemption date interest on the 2009 Certificates to be redeemed shall cease to accrue and be payable.

Notice of such redemption shall be given not less than thirty (30) days prior to the redemption date by mailing first class, postage prepaid, copies thereof to the Owners whose 2009 Certificates are to be redeemed; provided that notice shall be given to any securities depository in accordance with its operational arrangements. Failure to mail such notice and any defect in such notice shall not affect the validity of the proceedings for the redemption of any 2009 Certificate not affected by such failure or defect.

Additional Certificates

(a) Additional Certificates may be issued under and be equally and ratably secured by the Trust Agreement on a parity with the Certificates issued under the Trust Agreement and any other Additional Certificates Outstanding, at any time and from time to time, for any of the following purposes.

(1) To provide funds to pay all or any part of the costs of completing the Project (as defined in the Original Indenture), the total of such costs to be evidenced by a certificate signed by an Authorized County Representative.

(2) To provide funds to pay all or any part of the costs of repairing, replacing or restoring the Project in the event of damage, destruction or condemnation thereto or thereof, but only to the extent that such costs exceed the Net Proceeds of the insurance or condemnation awards out of which such costs are to be paid pursuant to the Lease.

(3) To provide funds to pay all or any part of the costs of acquisition, construction, furnishing and equipping of additions to the Facilities.

(4) To provide funds for refunding all or any portion of the Certificates of any series issued under the Trust Agreement then Outstanding, including the payment of any premium thereon and interest to accrue to the designated redemption date and any expenses in connection with such refunding.

(b) Before any Additional Certificates shall be issued under the Trust Agreement, the County shall adopt a resolution (i) authorizing or approving the issuance of such Additional Certificates; (ii) authorizing or approving the execution of a Supplemental Trust Agreement for the purpose of issuing such Additional Certificates and fixing the amount and terms thereof and describing the purpose or purposes for which such Additional Certificates are being issued or describing the Certificates to be refunded; and, if required, (iii) authorizing the execution of an amendment to the Lease to provide for Lease Payments at least sufficient to pay amounts representing principal, premium, if any, and interest with respect to the Certificates then to be Outstanding (including the Additional Certificates to be issued) as the same become due.

(c) Except as to any difference in date, maturity, interest rate or redemption provisions, such Additional Certificates shall be on a parity with and shall be entitled to the same benefit and security of the Trust Agreement as the Certificates and any other Additional Certificates Outstanding after the issuance of such Additional Certificates.

(d) Such Additional Certificates shall be executed substantially in the form and manner set forth in the Trust Agreement, upon filing with the Trustee of the following:

(1) An original or certified copy of the resolution adopted by the County Board authorizing or approving the issuance of such Additional Certificates and the execution of such Supplemental Trust Agreement.

(2) An original executed counterpart of the Supplemental Trust Agreement providing for the issuance of such Additional Certificates.

(3) An original executed counterpart of the amendment to the Lease, if required, which amendment shall clearly establish that the County has agreed that the Additional Certificates shall constitute Certificates for the purpose of computing the required Lease Payments.

(4) A request and authorization to the Trustee, on behalf of the County, executed by an Authorized Officer of the County, to execute the Additional Certificates and to deliver them to the Original Purchaser therein identified upon payment of the purchase price thereof to the Trustee.

(5) An opinion of counsel nationally recognized in the area of municipal finance to the effect that the issuance of such Additional Certificates will not result in amounts representing interest payable with respect to any Certificates then Outstanding (including such Additional Certificates) becoming includable in gross income for federal income tax purposes.

(6) In the case of Additional Certificates being issued to refund Outstanding Certificates, such additional documents as shall be reasonably required by the Trustee to evidence that provision has been duly made in accordance with the provisions of the Trust Agreement for the payment of all of the 2009 Certificates to be refunded.

(7) Such other Certificates, statements, receipts and documents as the Trustee shall reasonably require for the delivery of such Additional Certificates.

(e) Except as described above, no obligations payable from the sources pledged for payment or security of the Certificates relating to the Trust Agreement, shall be issued on a parity with the Certificates relating to the Trust Agreement, but obligations subordinate to the Certificates relating to the Trust Agreement, may be issued upon the express written direction and consent of the County.

SOURCE AND SECURITY FOR PAYMENTS

Lease Payments

The Lease requires payment of semi-annual Lease Payments by the County, which payments are to be paid directly to the Trustee. The Lease Payments are due from the County on the third (3rd) Business Day preceding the end of each May and November.

The Lease is not subject to termination by the County except upon payment or prepayment of the Lease Payments, and the County's obligation to make Lease Payments is absolute and unconditional. The County has covenanted in the Resolution that it will budget and appropriate sufficient moneys in each year of the Lease term to pay the Lease Payments when due and to pay any other amounts payable by the County under the Lease. The County further covenants in the Resolution that it will take all actions necessary to provide moneys to make such payments under the Lease, including the levy of such taxes as may be necessary, subject only to the limitations on such levies imposed by South Dakota law. The current and proposed limitations on the County's ability to levy taxes to pay the Lease Payments and other amounts payable under the Lease are discussed below.

Levy Limitations

The tax levy for general purposes by a county in the State cannot exceed twelve dollars ($12.00) per thousand dollars of taxable valuation. In addition to the tax levy for general purposes, a South Dakota county may levy up to $.90 per thousand dollars of taxable valuation for county buildings. South Dakota Codified Laws, Section 10-13-35 provides that the total amount of revenue derived from property taxes for county purposes may increase over the prior year's revenues by the smaller of three percent (3%) or the CPI inflation index and increases in revenues from additions, improvements or changes in the use of real property are permitted, as well as increased revenues resulting from annexations, reorganizations and certain other limited circumstances.

Under South Dakota Codified Laws, Section 10-13-36, the revenue limitations under South Dakota Codified Laws, Section 10-13-35 may be exceeded by an excess tax levy imposed by a two-thirds vote of the County Commission, subject to a referendum by petition by 5% of the registered voters of the County. For 2008taxes payable in 2009 the County's General Fund Levy was $4.34, its Building Fund Levy was $.29, its Bond Redemption Fund Levy was $0 and the Agricultural Building Fund Levy was $.09. The Building Fund Levy can not exceed $0.90/$1,000 of taxable valuation and the Agricultural Building Fund Levy cannot exceed $0.30/$1000 of taxable valuation.

SOURCES AND USES OF FUNDS

The sources and uses of funds, including proceeds of the sale and issuance of the 2009 Certificates, are expected to be as follows:

Sources

Series 2009 Certificates	$2,135,000
Total	$2,135,000

Uses

2009 Escrow Account	$2,088,268.58
Cost of Issuance, including Underwriter's Discount	46,731.42
Total	$2,135,000.00

THE COUNTY

The County is a political subdivision, duly organized and existing under and pursuant to the constitution and laws of the State of South Dakota. The County has the authority to enter into a lease for the purpose of acquiring real and personal property for its governmental functions. General information regarding the County's location, organization, administration, economy, tax base, tax collections and financial condition is included in Appendix B to this Official Statement.

LEASE-PURCHASE AGREEMENT

The following is a summary of certain provisions of the Lease. This summary does not purport to be complete, and reference is made to the full text of the Lease for a complete recital of its terms.

Lease Term and Payments

The Lease extends until December 1, 2017. The Lease Payments commenced on May 28, 2003 and are payable semiannually thereafter, with the last Lease Payment due on the third (3rd) Business Day preceding the last day of November 2017.

The Lease shall terminate prior to December 1, 2017, upon the earliest of the following events:

(a) the County elects to exercise its option to deposit with the Trustee cash or securities sufficient to pay or prepay all unpaid Lease Payments when they are due; or

(b) the County elects to exercise its option to prepay all of the Lease Payments.

The Lease is otherwise not terminable by the County, and the County has covenanted to include each year in its annual budget moneys sufficient to pay the Lease Payments and other obligations of the County under the Lease.

Consummation of Purchase

The Trustee's interest in the Land and Facilities will be transferred, conveyed and assigned to the County and the Lease will terminate upon payment of all Lease Payments due under the Lease, or upon prepayment of the Lease Payments or discharge of the County's obligation to make the Lease Payments in accordance with Article VIII of the Lease.

Covenants of the County

The County represents, covenants and warrants that: (a) the County is authorized under the Constitution and laws of the State of South Dakota to enter into the Lease and the transactions contemplated therein, and to perform all of its obligations thereunder; (b) the officers of the County executing the Lease have been duly authorized to execute and deliver the Lease; and (c) the Facilities will be used during the term of the Lease primarily to carry out the governmental or proprietary purposes of the County and its departments, agencies, institutions, instrumentalities and political subdivisions.

Title to the Land and Facilities; Security

Title to the Land and Facilities will be held by the Trustee during the term of the Lease, unless the County discharges its obligation to make the Lease Payments pursuant to the Lease, at which time the Trustee will convey title to the County.

Title to the Land and Facilities will also pass to the County upon payment of an amount of cash or securities which are general obligations of the United States sufficient to pay all Lease Payments when due or subject to prepayment.

Maintenance and Repair

The County agrees that at all times during the term of the Lease, the County will, at the County's sole cost and expense, maintain, preserve and keep the Land and Facilities, or part and parcel thereof, in good repair, working order and condition and that the County will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals.

Restrictions on Assignment and Conveyance

The Lease and the Land and Facilities may not be sold, leased, pledged, assigned or otherwise encumbered by the County for any reason. Such restrictions shall not preclude the County from permitting the use of the Land and Facilities by others for public purposes or in furtherance of any governmental or proprietary functions of the County. No such permitted use or lease shall relieve the County of its obligations under the Lease.

Taxes

The County shall pay all property and excise taxes and governmental charges of any kind whatsoever which may at any time be lawfully assessed or levied against or with respect to the Land and Facilities or any part thereof or the Lease Payments, and which become due during the term of the Lease with respect thereto; and all special assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Land and Facilities; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the County shall be obligated to pay only such installments as are required to be paid during the term of the Lease as and when the same become due. The County shall not be required to pay any federal, state or local income, inheritance, estate, succession, transfer, gift, franchise, gross receipts, profit, excess profit, capital stock, corporate or other similar tax payable by the Trustee, its successors or assigns, unless such tax is made in lieu of or as a substitute for any real estate or other tax upon property.

Insurance

The County shall cause adequate casualty, public liability and property damage insurance in specified amounts (with respect to the casualty insurance, in an amount not less than the full insurable value of the Facilities, but in no event less than the outstanding principal balance of the purchase price to be paid under the Lease) to be carried and maintained with respect to the Land and Facilities and to protect the Trustee from liability in all events.

Indemnification Covenants

As between the Trustee and the County, the County assumes all risks and liabilities, whether or not covered by insurance, for loss or damage to the Facilities and for injury to or death of any person or damage to any property, whether such injury or death be with respect to agents or employees of the County, the Trustee or of third parties, and whether such property damage be to the County or the Trustee's property or the property of others, which is proximately caused by the negligent conduct of the County, its officers, employees, agents and lessees, or arising out of the operation, maintenance or use of the Land and Facilities by the County, its officers, employees, agents and lessees. The County assumes responsibility for and agrees to reimburse the Trustee for all liabilities, obligations, losses, damages, penalties, claims, actions, costs and expenses (including reasonable attorneys' fees) of whatsoever kind and nature, imposed on, incurred by or asserted against the Trustee or its officers or employees that in any way relate to or arise out of a claim, suit or proceeding based in whole or in part on the foregoing, to the maximum extent permitted by law.

Events of Default and Remedies

The occurrence of one or more of the following events shall constitute an Event of Default under the Lease: (a) failure by the County to pay any Lease Payment or other payment required to be paid under the Lease at the time

specified therein; (b) failure by the County to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than the failure to timely pay any Lease payment or other required payment, for a period of forty-five (45) days after written notice to the County by the Trustee, specifying such failure and requesting that it be remedied, unless the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Trustee has agreed not to withhold unreasonably its consent to an extension of such time if corrective action is instituted by the County within any applicable period and diligently pursued until the default is corrected; or (c) the occurrence of an Act of Bankruptcy.

Upon the occurrence of any Event of Default specified in the Lease, any or all of the following remedies are provided: (a) without terminating the Lease, and subject to the rights of any entity subleasing all or any portion of the Land and Facilities which is not in default under a sublease complying with the Lease, re-enter and take possession of the Land and Facilities and exclude the County and any sublessee in default from using it until the default is cured; or (b) take whatever action at law or in equity may appear necessary or desirable to (i) collect the Lease Payments then due or as they become due, or (ii) enforce performance and observance of any obligation, agreement or covenant of the County under the Lease or the Resolution, including without limitation, enforcing the obligations of the County to budget and levy taxes for the payment of the Lease Payments.

Damage, Destruction and Condemnation; Use of Insurance Proceeds

If, while the Lease is in effect, (a) the Facilities, or any portion thereof, are destroyed (in whole or in part) or damaged by fire or other casualty or (b) title to, or the temporary use of, the Land and Facilities (or any part thereof) or the estate of the County or the Trustee in the Land and Facilities, or any part thereof, shall be taken under the exercise of the power of eminent domain by any governmental body, or any person, firm or corporation acting under governmental authority, the County will cause the net proceeds of any insurance claim or condemnation award to be applied to the prompt repair, restoration, modification or improvement of the Land and Facilities.

If the net proceeds of insurance or a condemnation award are insufficient to pay in full the cost of any repair, restoration, modification or improvement to the Land and Facilities, the County either (a) shall complete the work and pay any costs in excess of the amount of the net proceeds of insurance or a condemnation award, or (b) may apply the net proceeds to prepayment of Lease Payments.

TRUST AGREEMENT

The following is a summary of certain provisions of the Trust Agreement. This summary does not purport to be complete, and reference is made to the full text of the Trust Agreement for a complete recital of its terms.

General

The Trust Agreement is executed by the Trustee and joined in by the County. The purpose of the Trust Agreement is to provide for the authentication, issuance, payment and redemption of the 2009 Certificates and to provide for the creation of the Trust Fund for the purposes hereinafter described.

The Certificates of Participation

The Trustee is authorized upon receipt of a request from the County to issue, authenticate and deliver the 2009 Certificates. The 2009 Certificates will be issued in the form provided in the Trust Agreement and shall evidence the ownership interest of the Owners of the 2009 Certificates in and to the Lease and the Lease Payments to be paid by the County to the Trustee pursuant to the Lease and the Trust Agreement, and all revenues derived from the Lease, any money made available for distribution to the Owners of the 2009 Certificates from the subsequent sale, leasing or other disposition of the Land and Facilities as a result of an event of default, and any other moneys required to be paid to the Trustee for the Owners of 2009 Certificates.

Funds

The Trust Agreement creates a fund known as the Trust Fund. All moneys and investments held by the Trustee under the Trust Agreement are held for the benefit of the present and future Owners of the Certificates and shall be expended only as provided in the Trust Agreement. Within the Trust Fund, there are created a Lease Payment Account, a Redemption Account and a Construction Account.

The Lease Payment Account

The Trust Agreement establishes a Lease Payment Account into which shall be deposited the amount of accrued interest and capitalized interest received by the Trustee from the initial proceeds, any transfer from the Construction Account, all interest or income received by the Trustee with respect to the Lease or the Land and Facilities.

On each Payment Date, the Trustee shall withdraw from the Lease Payment Account an amount equal to the principal and interest payments due with respect to the 2009 Certificates on such Payment Date. Such amount shall be applied to the payment of principal and interest payments due with respect to the 2009 Certificates on such Payment Date. The Trustee shall transfer from the Lease Payment Account to the Redemption Account all moneys on hand or received in the Lease Payment Account which are to be used for the redemption of 2009 Certificates.

The Redemption Account

The Trustee shall deposit into the Redemption Account all moneys paid to it by the County pursuant to any of the County's prepayment options and, in the event of termination of the Lease as a result of an event of default under the Lease, all net proceeds received from the sale or other disposition of the Land and Facilities. Also, in the event of termination of the Lease as a result of an event of default or the exercise by the County of its option to prepay installment payments, the Trustee shall transfer to the Redemption Account all moneys on hand in the Lease Payment Account not required to pay principal and interest due or past due on the 2009 Certificates.

All moneys on hand in the Redemption Account which will not be used for the redemption of 2009 Certificates within thirty (30) days after the date of deposit of such funds, shall be invested at a yield not exceeding the yield on the Lease, computed in accordance with Section 148 of the Code and regulations promulgated thereunder. However, such funds may be invested at a higher yield if the County obtains and delivers to the Trustee an opinion of an attorney or firm of attorneys nationally recognized as bond counsel stating that the investment of such moneys may be made without restriction as to yield or subject to another yield limitation. Any moneys remaining in the Redemption Account after redemption of all outstanding 2009 Certificates shall be paid to the County.

The 2009 Escrow Account

All of the net proceeds of the 2009 Certificates other than the amounts deposited in the Construction Fund to pay issuance costs of the 2009 Certificates shall be deposited in the 2009 Escrow Account created under the Trust Agreement. The Trustee shall, from the 2009 Escrow Account, provide funds sufficient to defease a portion of the 2002 Certificates then outstanding.

Rights of Trustee

In carrying out its duties and exercising its powers under the Lease, the Trustee shall exercise that degree of care under the circumstances then prevailing which men of prudence, discretion and intelligence exercise in the management of their own business affairs.

The Trustee shall be protected and shall incur no obligation or liability with respect to the payment of Lease Payments by the County or the performance by the County of any of its obligations under the Lease. The Trustee shall not be bound to recognize any person as an Owner of any Certificate or to take any action at his request unless such Certificate shall be deposited with the Trustee or satisfactory evidence of the ownership of such Certificate shall be furnished to the Trustee.

The Trust Agreement does not require that the Trustee expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Trust Agreement, or in the exercise of any of its right or powers thereunder. The Trustee shall not be individually liable for any payments to be made under any Certificates, the Trust Agreement or the Lease. The Trustee shall be under no obligation to institute or to take any immediate action, or to enter any appearance or in any way defend any suit in which it may be made defendant, take any steps in the enforcement of any rights and powers under the Trust Agreement until it shall be indemnified to its satisfaction for any and all costs, expenses, outlays and counsel fees and any other reasonable disbursements and against all liabilities. The Trustee shall be compensated by the County and such compensation shall not be paid from the Lease Payments or any other revenues received pursuant to the Lease or funds held by the Trustee except with respect to amounts expended in connection with the exercise of remedies upon the occurrence of any event of default.

The Trustee may resign, and thereby become discharged from its obligations under the Trust Agreement, by notice in writing given to the Owners of the Certificates. The Trustee may be removed at any time by instrument in writing executed by the Owners of not less than a majority of the aggregate principal amount of the Certificates or by agreement between the County and the Trustee. If at any time the position of Trustee shall become vacant, a majority of the Registered Owners shall appoint a Trustee to fill such vacancy.

Events of Default

Upon the occurrence of any Event of Default under the Lease, the Trustee or the Owners of not less than a majority of the aggregate principal amount of the Certificates then outstanding shall be entitled, upon notice in writing to the County and the Trustee, to enforce the rights and exercise the remedies provided to the Trustee in the Lease, as appropriate.

Amendments to Trust Agreement and Lease

The Trust Agreement and the Lease may be amended in writing by agreement among all of the parties thereto, but, except as provided below no such amendment shall become effective without the prior written consent of two-thirds in aggregate principal amount of the Certificates then Outstanding; provided that no such amendment shall impair the right of any Owner to receive his or her proportionate share of any Lease Payment in accordance with his or her Certificate; provided that amendments required by a Rating Agency as a condition to maintaining the initial rating on the Certificates shall not require consent of Certificate Owners.

The County and the Trustee may, without the consent of or notice to any of the Owners of the Certificates, enter into one or more amendments to the Trust Agreement or the Lease for one or more of the following purposes:

(a) To cure any ambiguity or formal defect or omission herein or to correct or supplement any provision therein which may be inconsistent with any other provision therein, or to make provisions with respect to matters or questions arising thereunder provided such action shall not, in the judgment of the Trustee (with respect to which the Trustee may rely on an opinion of counsel), materially adversely affect the interests of the Owners of the Certificates;

(b) To grant or confer upon the Owners of the Certificates any additional rights, remedies, power or authority that may lawfully be granted or conferred upon them;

(c) To comply with the requirements of any State or federal securities laws or the Trust Indenture Act of 1939, as from time to time amended, if required by law or regulation lawfully issued thereunder;

(d) To provide for the appointment of a successor trustee or co-trustee pursuant to the terms hereof;

(e) To subject to the Trust Agreement additional revenues, properties or collateral; or

(f) To issue Additional Certificates as provided in the Trust Agreement.

THE GROUND LEASE

The following is a summary of certain provisions of the Ground Lease. This summary does not purport to be complete, and reference is made to the full text of the Ground Lease for a complete recital of its terms.

The County, pursuant to the Ground Lease, has leased the Land from the Trustee for a term commencing on May 31, 2002 and ending on December 1, 2017 (unless the Lease Payments have not been fully paid by that date, in which event, the term of the Ground Lease is automatically extended to December 1, 2027), for the purpose of (i) acquiring and constructing the Facilities on the Land, (ii) maintaining the Facilities, (iii) access, ingress, and egress to the Facilities and (iv) other purposes as set forth therein.

TAX MATTERS

In the opinion of Lindquist & Vennum P.L.L.P., as Bond Counsel, on the basis of laws in effect on the date of issuance of the 2009 Certificates, the interest component of the Lease Payments to be received by the Owners of the 2009 Certificates is not includable in gross income for federal income tax purposes. The interest component of the Lease Payments to be received by the Owners of the 2009 Certificates is includable in gross income for South Dakota tax purposes when the recipient is a financial institution as defined in South Dakota Codified Laws, Chapter 10-43. In rendering its opinion, Bond Counsel will rely on certain covenants and representations on the part of the

County concerning the nature and cost of the facilities being financed from proceeds of the 2009 Certificates and the application and investment of proceeds of the 2009 Certificates. Moreover, certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"), impose continuing requirements that must be met after the issuance of the 2009 Certificates in order for interest thereon to be and remain not includable in federal gross income. Noncompliance with such requirements by the County may cause the interest component of the Lease Payments to be received by the Owners of the 2009 Certificates to be includable in federal gross income, retroactive to the date of issuance of the 2009 Certificates, irrespective in some cases of the date on which such noncompliance occurs or is ascertained. No provision has been made for redemption of the 2009 Certificates or for an increase in the interest rate on the 2009 Certificates in the event that interest on the 2009 Certificates becomes includable in federal gross income.

The interest component of the Lease Payments to be received by the Owners of the 2009 Certificates is not an item of tax preference includable in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers, but is includable in adjusted current earnings in determining the alternative minimum taxable income of corporations for purposes of the federal alternative minimum tax. The interest component of the Lease Payments to be received by the Owners of the 2009 Certificates may be includable in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code and is includable in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code. In the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to fifteen percent (15%) of the interest component of the Lease Payments to be received by the Owners of the 2009 Certificates that is received or accrued during the taxable year. Section 86 of the Code requires recipients of certain Social Security and railroad retirement benefits to take into account the interest component of the Lease Payments to be received by the Owners of the 2009 Certificates in determining the taxability of such benefits. Passive investment income, including the interest component of the Lease Payments to be received by the Owners of the 2009 Certificates, may be subject to federal income taxation under Section 1375 of the Code for an S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than twenty-five percent (25%) of its gross receipts is passive investment income.

The Lease and the 2009 Certificates are deemed to be "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, and financial institutions described in Section 265(b)(5) of the Code may treat the 2009 Certificates for purposes of Section 265(b)(2) and 291(e)(1)(B) of the Code as if they were acquired on August 7, 1986. Noncompliance with certain continuing requirements of the Code referred to above, however, may cause the 2009 Certificates to lose their status as "qualified tax-exempt obligations" retroactive to the date of issuance of the 2009 Certificates.

The foregoing is not intended to be an exhaustive discussion of collateral tax consequences arising from receipt of interest with respect to the 2009 Certificates. Prospective purchasers or owners of the 2009 Certificates should consult their tax advisors with respect to collateral tax consequences, including without limitation the calculations of alternative minimum tax, minimum tax, or foreign branch profits tax liability or the inclusion of Social Security or other retirement payments in taxable income.

RATING

Standard & Poor's Rating Services has assigned its "AA-" long-term rating to the Series 2009 Certificates. Such rating reflects only the view of Standard & Poor's Rating Services, and an explanation of the significance of such ratings may be obtained from Standard & Poor's Rating Services, 55 Water Street, New York, New York 10041, telephone (212) 438-7280. There is no assurance that this rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Standard & Poor's Rating Services if in the judgment of Standard & Poor's Rating Services, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the 2009 Certificates.

UNDERWRITING

The Underwriter will purchase the aggregate principal amount of the 2009 Certificates upon their original issuance and delivery at a purchase price of $2,120,055.00 (reflecting an underwriter's discount of $14,945,000 and an original issue discount of $-0-). The Underwriter will purchase all of the 2009 Certificates offered hereby if any of the 2009 Certificates are purchased.

The 2009 Certificates are being offered for sale at the prices set forth on the inside cover page of this Official Statement, which prices may be changed by the Underwriter from time to time without notice. The 2009 Certificates may be offered and sold to dealers, and dealers acquiring 2009 Certificates for their own account or an account managed by them at prices lower than public offering prices.

CONTINUING DISCLOSURE

In order to assist the participating underwriters in the primary offering of the 2009 Certificates to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the County will covenant and agree, pursuant to a Continuing Disclosure Agreement, to provide annual reports of specified information and notice of the occurrence of certain events, if material. A description of this undertaking is set forth in Appendix F to this Official Statement.

CERTAIN LEGAL MATTERS

The validity of the Lease and the 2009 Certificates, the tax-exempt status of the interest component of the Lease Payments and certain other matters will be passed upon by Lindquist & Vennum P.L.L.P., Minneapolis, Minnesota. Copies of such opinion will be available at the time of delivery of the 2009 Certificates. Certain legal matters will be passed upon for the County by its counsel, Glenn A. Brenner, Esq., State's Attorney.

LITIGATION AND CLAIMS

There is no litigation of any nature now pending or threatened questioning the organization of the County, the right of its present officials to hold their respective offices, or the right, power and authority of the County to enter into the Lease or to levy and collect taxes for its repayment.

ENFORCEABILITY OF OBLIGATIONS

On the closing date for delivery of the 2009 Certificates to the Underwriter thereof, Lindquist & Vennum P.L.L.P., Minneapolis, Minnesota, Bond Counsel, will deliver their opinion dated the date of such delivery that the 2009 Certificates, the Lease, the Ground Lease and the Trust Agreement are valid and legally binding agreements, enforceable in accordance with their terms, respectively, qualified only to the extent that the enforceability of the 2009 Certificates, the Trust Agreement, the Ground Lease and the Lease may be limited by laws affecting remedies and by bankruptcy or insolvency or other laws affecting creditors' rights generally.

Bond Counsel has not examined nor attempted to examine or verify any of the financial or statistical statements, or data contained in this Official Statement, and will express no opinion with respect thereto.

MISCELLANEOUS

Any statements made in this Official Statement, including Appendices A, B, C, D and E involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representations are made that any of the estimates will be realized.

The references herein to the Trust Agreement, the Lease, and other documents referred to herein are brief summaries of certain provisions thereof. Such summaries do not purport to be complete, and reference is made to such documents for full and complete: statements of such provisions.

APPENDIX A

DEFINITIONS

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APPENDIX A

DEFINITIONS

As used in the Lease, the Trust Agreement and the Ground Lease described herein, the following terms have the meanings indicated below:

2002 Certificate(s) shall mean the $3,580,000 Limited Tax General Obligation Certificates, dated May 1, 2002.

2009 Certificate(s) shall mean the $2,135,000 Limited Tax General Obligation Certificates, dated their date of issuance.

Act of Bankruptcy shall mean any of the following events:

(i) The County shall (a) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or the like of the County or of all or a substantial part of either of their property, (b) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect), or (c) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts; or

(ii) A proceeding or case shall be commenced, without the application or consent of the County, as the case may be, in any court of competent jurisdiction, seeking (a) the liquidation, reorganization, dissolution, winding up, or the composition or adjustment of debts, of the County (b) the appointment of a trustee, receiver, custodian, liquidator or the like of the County or of all or any substantial part of the assets of the County, or (c) similar relief in respect of the County under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, and such proceeding or case has not been dismissed within sixty (60) days of the filing thereof.

Additional Certificates shall mean any additional parity Certificates issued pursuant to the Trust Agreement.

Authorized Officer shall mean the term "Authorized Officer," when used with respect to the County, means the County Auditor or any other person who is designated in writing by the County Auditor as an Authorized Officer for purposes of the Trust Agreement. The term "Authorized Officer," when used with respect to the Trustee, means any Vice President and/or trust officer who is authorized to take the action in question on behalf of the Trustee.

Bond Counsel shall mean any attorney or law firm having a national reputation as bond counsel in connection with the issuance of state and local government obligations.

Business Day shall mean any day upon which banks located in the State are not required or authorized to remain closed and on which the New York Stock Exchange, Inc. is not closed.

Certificates shall mean the certificates of participation prepared and delivered by the Trustee pursuant to the Trust Agreement.

Closing Date shall mean the date upon which a series of the Certificates are delivered to the Original Purchaser (as defined in the Trust Agreement) against payment therefore.

Code shall mean the Internal Revenue Code of 1986, as amended. All references herein to sections of the Code are to section thereof as they exist on the date of execution of this instrument, but include any amendment of the provisions thereof.

Construction Account shall mean the account established under Section 4.02 of the Trust Agreement.

Construction Costs shall mean all costs of payment of, or reimbursement for, acquisition, renovation, construction, installation and financing of the Facilities, including but not limited to, administrative costs, engineering costs, costs of feasibility, environmental and other reports, inspection costs, permit fees, filing and recording costs, costs of obtaining title insurance or a title opinion, printing costs, reproduction and binding costs, legal lees and charges, professional consultant fees, and charges and fees in connection with the foregoing; if the Certificates are secured by bond insurance or other credit enhancement, then, to the extent permitted by the Code, the initial premium or fee and any premium or fee paid during the construction of the Facilities, for such bond insurance or other credit enhancement shall be treated as part of the Construction Costs.

Cost of Issuance shall mean all fees and expenses incurred by the County in connection with the execution and delivery of the Lease and the issuance of the Certificates, including, but not limited to, costs of preparing and printing the Certificates, the Lease, the Trust Agreement, the Official Statement relating to the Certificates, and related documents; legal fees (including those of counsel to the Trustee, the County and the Underwriter); Rating Agency fees; and the Trustee's initial fees.

DTC shall mean The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York or any successor securities depository for a series of Certificates appointed pursuant to the Trust Agreement.

Facilities shall mean the buildings, structures and improvements now or hereafter located on the Land.

First Amendment to Lease shall mean the First Amendment to Lease-Purchase Agreement, dated as of November 1, 2009, between the County and the Trustee.

First Supplemental Trust shall mean the First Supplemental Declaration of Trust, dated as of November 1, 2009, by the Trustee and joined in by the County.

Fiscal Year shall mean the 12-month fiscal period of the County, which commences on January 1 in every year and ends on December 31 or the succeeding year.

Ground Lease shall mean the Ground Lease Agreement, dated as of May 1, 2002, between the County and the Trustee.

Interest shall mean the portion of any Lease Payment designated as and comprising interest as shown on Exhibit B to the Lease.

Land shall mean the real property described on Exhibit A to the Lease.

Lease shall mean the Original Lease, as amended and supplemented by the First Amendment to Lease and any amendment thereof or supplement thereto.

Lease Payment(s) shall mean the payment(s) due from the County to the Trustee on each Payment Date during the term of the Lease, as shown on the Lease.

Lease Payment Account shall mean the account established under Section 4.03 of the Lease.

Net Proceeds shall mean any insurance proceeds paid with respect to the Facilities remaining after payment therefrom of all expenses incurred in the collection thereof.

Original Lease shall mean the Lease-Purchase Agreement, dated as of May 1, 2002, between the Trustee and the County.

Original Trust shall mean the Declaration of Trust, dated as of May 1, 2002, by the Trustee and joined in by the County.

Outstanding shall mean the term "Outstanding" when used with reference to the Certificates and as of any particular date, means all Certificates theretofore delivered, except: (a) any Certificate canceled or fully paid by the Trustee at or before said date; (b) any Certificate in lieu of or in substitution for which another Certificate shall have been delivered pursuant to the Trust Agreement; and (c) for the sole purpose of determining the percentage of Certificate Owners consenting to an amendment of the Trust Agreement or authorizing any action by the Trustee or the exercise of any remedy hereunder, any Certificate owned by the County or any of its departments, agencies, institutions, instrumentalities or political subdivisions. For all other purposes, Certificates owned by the County or any such entity which are not described in (a) and (b) shall be treated as Outstanding hereunder.

Owner shall mean the terms "Owner," "Certificate Owner" or "Owner of Certificates" or any similar term, when used with respect to the Certificates, mean the registered owner of any Outstanding Certificate.

Payment Date shall mean the third (3rd) Business Day preceding the end of May and November in each year.

Permitted Investments shall mean the term "Permitted Investments" means, to the extent permitted by applicable law:

(a) (1) bonds or interest bearing notes or obligations of the United States or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.

(2) Securities either directly or indirectly guaranteed by the United States.

(3) Repurchase agreements fully collateralized by securities described in (a)(1) or (2) meeting the requirements of Sections 4-5-6 and 4-5-9, South Dakota Codified Laws. The securities collateralizing such repurchase agreements shall mature in no more than thirty (30) days and are to be marked to market and replenished daily.

(4) Shares of an open-end, no-load fund, rated in the highest short-term or one of the two highest long-term rating categories by Moody's (so long as Moody's maintains a rating on the Certificates), administered by an investment company registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933 and whose only investments are in securities described in (a)(1) and (2) and repurchase agreements described in (a)(3).

(5) Time deposits and interest-bearing accounts with any institution constituting a "qualified public depository" under Chapter 4-6A, South Dakota Codified Laws and which either (ii) the institution is rated in one of the two highest long-term rating categories by Moody's or (ii) the deposit is FDIC insured and the amount deposited does not exceed $100,000.

(b) bonds or interest-bearing notes or obligations that are guaranteed as to principal and interest by a federal agency of the United States; and

(c) bonds, consolidated bonds, collateral trust debentures, consolidated debentures, or other obligations issued by federal intermediate credit banks established under the Federal Farm Loan Act, as amended; bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act; bonds and debentures of the Federal National Mortgage Association established under the National Housing Act, as amended; bonds of any federal home loan bank established under said act; obligations of the Federal Home Loan Mortgage Corporation; and any other obligation of a federal agency which obligation is rated in one of the two highest long-term rating categories by Moody's.

Principal shall mean the portion of any Lease Payment designated as principal in Exhibit B to the Lease.

Principal Office means the principal office of the Trustee situated in Saint Paul, Minnesota, or any office so designated by a successor.

Resolution means the resolution adopted by the Board of County Commissioners of the County on April 7, 2009, relating to the issuance of the 2009 Certificates.

Trust Agreement shall mean the Original Trust Agreement, as amended and supplemented by the First Amendment to Trust.

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APPENDIX B

SUMMARY OF COUNTY INFORMATION

APPENDIX B

SUMMARY OF COUNTY INFORMATION

INFORMATION CONCERNING THE COUNTY

PENNINGTON COUNTY

BOARD MEMBERS

Brenda Young, Chair
Nancy Trautman, Vice Chair
James Kjerstad, Commissioner
Ethan Schmidt, Commissioner
Gale Holbrook, Commissioner

ELECTED OFFICIALS

Julie A. Pearson, Auditor
Don Holloway, Sheriff
Glenn Brenner, State's Attorney
Janet Sayler, Treasurer

SPECIAL SERVICES

Bond Counsel

Lindquist & Vennum P.L.L.P.
Minneapolis, Minnesota

SUMMARY OF COUNTY INFORMATION

Pennington County (the "County") is located in southwestern South Dakota and comprises 2,776 square miles. Rapid City, the County seat, is located on I-90 and U.S. Highways 14 and 16 and South Dakota Highway 79.

The County was organized in 1877 and is governed by a Board of Commissioners consisting of 5 members elected by districts for 4-year terms. The 2000 population census for the County was 88,565, compared to 81,343 in 1990.

Following are population figures for the incorporated municipalities in the County according to the U.S. Census:

	2000	1990	1980	1970
Box Elder	2,841	2,680	3,186	607
Hill City	780	650	535	389
Keystone	311	232	295	----
New Underwood	616	553	517	416
Quinn	44	72	80	105
Rapid City	59,607	54,523	46,692	43,836
Wall	818	834	542	786
Wasta	75	82	99	127

Employers & Pension Plans

The County currently employs 612 persons. The South Dakota Retirement System administered by the State of South Dakota covers employees of the County. Members' contributions and credited interest are 100% vested and may be withdrawn upon termination of employment. The County's total cost of the plan for the year ended December 31, 2008 was $1,703,288.75.

Class A members include all employees other than judicial and public safety. They are required by state statute to contribute 6% of their gross salary. The County by statute is required to match all employee contributions.

Class B members include Public Safety members that are described as deputies and adult and juvenile correctional officers. They are required to contribute 8% of their gross salary. The County by statute is required to match all employee contributions.

Additional information is contained in the "Notes to the Financial Statements" relating to the 2007 and 2008 audited financial statements set forth in Appendix C to this Official Statement.

Contribution Information	2007	2008
Contribution Requirements Total Employee & Employer	$3,160,326	$3,401,444
County Contributions	$1,580,163	$1,700,722
Percent of Covered Payroll	50%	50%
Employee Contributions	$1,580,163	$1,700,722
Percent of Covered Payroll	50%	50%

Valuations

All property subject to taxation is assessed annually according to value on the first day of November proceeding the assessment year. The Director of Equalization compiles an assessment roll for each taxing district within the county. Currently assessment rolls are compiled for 6 school districts, 2 water districts, 20 civil townships, 8 cities and towns, 7 sewer districts, 94 road districts, 2 ambulance districts, 15 fire districts, library and the county as a whole. The assessment roll is reviewed and adjusted for errors and omissions by each municipality and township. Upon completion of local and county boards of equalization, the tax roll is factored to an 85% median level of assessment using the preceding year's sales as a benchmark. This represents taxable value for tax purposes and is levied upon by the County Auditor in dollars per thousand of value. From tax year 2007 to 2008 the base of Pennington County increased by 4.94%.

For school general fund levying purposes there are four classes of property; agricultural, non-agricultural acreages, owner occupied residential and other. The general fund levies for school purposes are set in statute annually to compensate for both growth and inflation.

	December 31, 2008
Full & True Value including Utilities 2008 pay 2009	$6,303,427,518
Direct General Obligation Debt	-0-
COP/Bonds	$ 20,115,000
Lease Purchase Obligations	$ 3,470,125
Population 2000 Census	88,565
Area in Square Miles	2,776

The County's Values (includes Tax Increment District Values)	**2008 Payable in 2009**
	Full and True Value
Agricultural – Outside Corp Limits	$177,758,964
Nonagricultural Z – Outside Corp Limits	23,392,339
Owner Occupied – Outside Corp Limits	1,170,008,371
Mobile Homes – Outside Corp Limits	10,859,104
Mobile Homes – Owner Occupied Outside Corp Limits	40,746,800
Nonagricultural – Outside Corp Limits	449,486,074
Agricultural – Inside Corp Limits	1,123,930
Nonagricultural Z – Inside Corp Limits	8,125,830
Owner Occupied – Inside Corp Limits	2,256,288,522
Mobile Homes – Inside Corp Limits	6,968,101
Mobile Homes Owner Occupied – Inside Corp Limits	21,675,334
Nonagricultural – Inside Corp Limits	2,348,280,541
Total Real Property	$6,514,713,910

(Source: Annual PT76 – Recapitulation of Tax Report)

Historic Taxable Values

The following table illustrates the historical full and true value and taxable values for the County (excluding tax increment districts):

Tax Year	Full & True Real Property Value	Taxable Percent	Taxable Value Real Property	Total Taxable Plus Utilities	Value
2008	$6,168,067,130	100%	$6,168,067,130	$135,360,388	$6,303,427,518
2007	6,085,662,942	100	6,085,662,942	135,239,397	6,220,902,339
2006	5,684,183,819	100	5,684,183,819	154,025,435	5,838,209,254
2005	5,111,448,991	100	5,111,448,991	158,253,803	5,269,702,794
2004	4,700,944,267	100	4,700,944,267	168,698,408	4,869,642,675
2003	4,172,289,978	100	4,172,289,978	172,163,153	4,344,453,131
2002	3,751,224,238	100	3,751,224,238	152,535,825	3,903,760,063
2001	3,291,929,650	100	3,291,929,650	133,530,663	3,425,460,313
2000	3,115,731,072	100	3,115,731,072	120,156,152	3,235,887,224
1999	2,885,448,539	100	2,885,448,539	121,184,926	3,006,633,465
1998	2,615,933,719	100	2,615,933,719	105,554,248	2,721,487,967
1997	2,451,067,774	100	2,451,067,774	95,509,000	2,546,576,774
1996	2,251,608,052	100	2,251,608,052	97,048,741	2,348,656,793
1995	2,176,304,529	100	2,176,304,529	90,621,402	2,266,925,931
1994	2,086,786,439	100	2,086,786,439	91,721,155	2,178,507,594
1993	1,902,842,560	100	1,902,842,560	86,739,204	1,989,581,764
1992	1,818,634,334	100	1,818,634,334	75,318,654	1,893,952,988
1991	1,805,321,954	100	1,805,321,954	76,650,199	1,881,972,153

Tax Year	Full & True Real Property Value	Taxable Percent	Taxable Value Real Property	Total Taxable Plus Utilities	Value
1990	1,295,921,534	100	1,295,921,534	75,951,155	1,371,872,689
1989	1,285,697,268	100	1,285,697,268	75,124,988	1,360,822,256
1988	1,259,412,858	60	755,647,715	43,145,970	798,793,685
1987	1,230,798,94 6	60	738,479,368	42,190,285	780,669,653
1986	1,242,592,138	50	621,296,069	not available	
1985	1,193,926,579	53	632,781,087	not available	
1984	1,174,395,685	40	469,758,274	not available	

(Source: BUD040 Report – annual tax levy verification report)

County Consolidated Tax Dollars Levied

Year	County General	Emergency Disaster	County Fair	Accumulated Building
2008	$27,356,875.43	-0-	$567,308.47	$1,827,993.98
2007	25,347,336.46	-0-	420,453.45	1,681,813.80
2006	22,173,952.26	-0-	949,759.43	2,751,969.24
2005	22,054,559.94	-0-	-0-	2,073,373.29
2004	20,649,643.90	$14,866.56	-0-	2,009,862.23
2003	19,672,118.23	-0-	-0-	1,655,671.08
2002	18,312,538.46	-0-	-0-	1,777,381.96
2001	17,269,115.62	-0-	-0-	1,249,950.47
2000	16,190,761.73	-0-	-0-	1,246,787.34
1999	14,622,461.19	10,222.56	-0-	1,771,207.78
1998	13,605,806.94	10,069.50	712,485.55	1,325,636.79

Source: BUD040 Report – annual tax levy verification report

Largest Taxpayers

The fifteen largest taxpayers of the County for the tax year 2008 payable in 2009 are listed below:

Property Owner	Type of Business	Taxable Value	Percent of Taxable Valuation
Rushmore Mall	Retail Mall	$45,538,166	0.72
Wal-Mart	Retail	14,234,313	0.23
Rushmore Plaza	Hotel	13,950,864	0.22
Perkins Delaware	Retail Mall	13,430,933	0.22
Regency	Hotel	12,278,712	0.19
Harmony Heights	Apartment Complex	10,046,592	0.16
Physicians Real Estate	Medical	9,824,885	0.16
LaCrosse Investors	Apartment Complex	9,751,104	0.16
Lowe's Home Centers	Retail	9,701,126	0.15
Hetherington Florman	Medical	9,614,487	0.15
Menards Inc.	Retail	9,601,810	0.15
Stag III	Financial Center	9,559,219	0.15
BH Surgery Center	Medical	8,517,807	0.13
Rushmore Cedar	Office Building	7,833,168	0.12
Rapid City Regional Health	Medical	7,635,355	0.12
		Total	3.03

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1st of each year. Taxes are levied and are due and payable in two installments on or before April 30th and October 31st of each year.

The County Treasurer is responsible for collection of all taxes that are included on the tax list. Once collected, the County Auditor apportions the money and credits the appropriate fund. The County Auditor is mandated to remit all collections to the appropriate taxing entity by the 20th of the month following collection.

Mill Rates or Dollars per Thousand of Value – Owner Occupied Levy

Levy Year	Taxable Percent	County	Rapid City School	Water	City of Rapid City	Total Mill Levy
2008	100%	4.7200	9.0600	.0300	2.9900	16.8000
2007	100	4.5700	9.1400	.0300	2.9600	16.7000
2006	100	4.5471	9.6045	.0281	2.9680	17.1477
2005	100	4.6746	9.9925	.0297	3.0322	17.7290
2004	100	4.7281	10.1704	.0312	3.0595	17.9892
2003	100	4.9092	10.4134	.0331	3.1493	18.5050
2002	100	5.1463	10.7729	.0350	3.3041	19.2583
2001	100	5.4063	11.2480	.0373	3.4685	20.1601
2000	100	5.3888	10.0959	.0373	3.4252	18.9472
1999	100	5.4559	12.0097	.0378	3.4801	20.9835
1998	100	5.7520	11.9892	.0399	3.6595	21.4406
1997	100	5.8171	13.0979	.0427	3.6386	22.5963
1996	100	6.0935	13.4673	.0444	3.7241	23.3293
1995	100	6.0935	19.5610	.0436	3.6827	29.3808
1994	100	6.0935	19.9667	.0455	3.7662	29.8719
1993	100	6.0937	22.1368	.0495	3.6676	31.9476
1992	100	5.9811	20.1480	.0520	3.2954	29.4765
1991	100	5.0547	19.3472	.0523	3.2665	27.7207
1990	100	6.7800	25.8786	.0719	4.3200	37.0505
1989	100	6.7800	25.8887	.0725	4.3200	37.0612
1988	60	11.3000	43.1600	.1300	7.2000	61.7900

Source: Bud060 for levy for Rapid City Owner Occupied for years 1996 to present and Non-Ag years 1995 and prior

Tax Collections – County Consolidated

		Collected First Year		Collected as of December 31, 2008	
	Amount of Levy	Amount	Percentage	Amount	Percentage
2007/08	$27,449,947	$27,178,000	99.00%	$27,178,000	99.00%
2006/07	25,871,936	25,600,344	98.95	25,796,600	99.70
2005/06	24,127,800	23,653,763	98.03	23,653,763	98.03
2004/05	22,673,572	22,446,253	98.99	22,622,220	99.77
2003/04	21,327,789	21,177,035	99.29	21,343,851	100.00
2002/03	20,482,272	20,244,630	98.84	20,244,630	98.84
2001/02	19,094,069	18,776,561	98.34	18,995,029	99.48
2000/01	17,714,942	17,406,150	98.25	17,680,238	99.80
1999/00	16,607,540	16,496,836	98.62	16,708,096	100.00
1998/99	15,968,085	15,814,609	99.03	15,814,609	99.03
1997/98	15,139,626	15,083,066	99.62	15,123,854	99.89
1996/97	14,638,122	14,528,524	99.25	14,620,950	99.88
1995/96	14,058,904	13,845,852	98.48	14,062,357	100.00
1994/95	13,483,630	13,329,174	98.85	13,479,718	99.97

Indirect Debt – General Obligation

	Percent of District's Taxable Value within the County	Debt Outstanding 12/31/08	Applicable to the County
Municipalities:			
Box Elder	97.68%		
Hill City	100.00		
Keystone	100.00	$861,568	$861,568
New Underwood	100.00		
Quinn	100.00		
Rapid City	100.00	855,000	855,000
Wasta	100.00		
Wall	100.00	248,548	248,548
School Districts (including Mobile Home Values):			
Douglas	75.82		
Hill City	100.00	6,750,000	6,750,000
New Underwood	99.84		
Rapid City	95.22	12,435,000	11,840,607
Wall	99.98		
Custer	5.74	7,595,000	435,953

Debt Limit

The total indebtedness of the County may not exceed 5% of the actual assessed value of property within the County.

2008 Valuation (including Utilities)	$6,303,427,518
	x 5%
Maximum	315,171,375
Less: Direct General Obligation Debt	-0-
Certificates of Participation (including this issue)	20,250,000
Lease Purchase Obligations	3,149,951
Available Margin	$ 291,771,424

Future Financing

The County does not expect to authorize the issuance of additional Certificates in 2009.

Debt Ratios

	Amount	Per Capita (1)	% of Taxable Value
Direct General Obligation Debt	$20,115,000	227.12	0.32%
Indirect General Obligation Debt	$20,991,676	237.02	0.33%

(1) Based on the 2000 census population of 88,565

The County Revenues and Expenditures

Revenue Collected:

Fund	2003	2004	2005	2006	2007	2008
County General	$19,280,804	$33,811,963	$34,838,243	$40,602,900	$39,255,709	$42,023,062
Road Bridge Fund	2,699,248	3,841,505	3,792,621	4,755,540	4,054,582	4,569,927
Emergency Disaster	3	29,127	21,123	19,700	21,308	10,395
Unorganized Road	1,194,061	1,964,554	2,031,097	2,154,418	2,184,763	2,292,738
Library	181,128	340,773	349,197	365,862	391,682	400,002
Drug Seizure	-0-	169,472	156,742	11,642	74,088	37,968
Fire Administration	465,281	214,321	229,884	273,165	264,687	276,938
County Fair	-0-	-0-	-0-	-0-	957,877	436,511
E 911	620,917	985,599	895,737	972,305	939,109	974,300
Title 3	5,330	212,941	216,020	212,888	322,775	108,512
Emergency Management	198,559	826,831	1,439,600	996,622	1,061,850	866,870
Hazardous Materials	19,489	5,753	6,201	15,929	8,828	12,033
Domestic Abuse	40,073	47,309	43,953	41,552	42,697	44,458
Accumulated Building	1,054,686	1,757,185	2,113,608	2,188,883	2,940,679	2,133,369
Capital Projects	10,246,094	2,596,246	443,553	165,039	17,570	5,638,506
Health Care Trust	1,573,200	2,598,782	3,093,590	2,873,879	3,554,622	3,583,482
Total	$38,595,165	$49,402,361	$49,671,169	$55,650,324	$54,747,374	$63,409,071

Expenditures:

Fund	2003	2004	2005	2006	2007	2008
County General	$23,916,903	$30,081,893	$32,710,939	$38,019,286	$37,510,492	$39,734,146
Road & Bridge	5,645,630	6,425,911	6,043,355	8,213,890	7,698,826	7,191,543
Emergency Disaster	-0-	58,053	21,799	19,700	-0-	-0-
Unorganized Road	-0-	-0-	-0-	-0-	-0-	-0-
Library	221,078	294,228	317,187	329,561	380,635	398,094
Drug Seizure	5,691	38,479	117,850	49,071	45,781	78,892
Fire Administration	414,361	388,818	185,054.45	189,932	214,432	303,731
County Fair	-0-	-0-	-0-	-0-	513,917	523,085
E 911	723,310	769,044	865,022	995,301	1,383,610	821,370
Title 3 Monies	624,738	7,360	210,260	23,146	29,625	57,975
Emergency Management	236,285	844,194	1,456,080	1,059,327	1,045,209	789,678
Hazardous Materials	8,929	3,522	4,998	13,232	29,263	4,282
Domestic Abuse	32,855	46,375	46,785	41,135	42,185	44,165
Accumulated Building	643,237	1,646,412	313,410	1,804,024	1,098,542	1,489,395
Capital Projects	3,888,996	9,605,747	5,348,706	1,789,250	386,038	4,029,022
Health Care Trust	1,009,103	2,162,210	3,069,601	2,848,177	4,069,518	4,322,512
Total	$37,371,087	$52,372,246	$50,711,046	$55,395,035	$54,448,073	$59,787,890

Year End Cash Balances:

Fund	12/31/05	12/31/06	12/31/07	12/31/08
County General	$11,000,132.09	$11,330,942.62	$11,690,542.69	$11,818,631.26
Road & Bridge	6,445,086.37	6,713,983.56	8,075,639.58	8,376,449.83
Emergency Disaster	332,994.63	329,213.76	329,399.92	329,412.43
Library	173,470.78	198,924.28	276,056.41	187,984.02
Drug Seizure	197,675.91	123,535.51	142,509.50	78,691.32
Fire Administration	164,511.87	263,408.61	308,832.13	294,584.26
E 911	457,976.03	440,555.50	37,286.43	173,601.06
Title 3 monies	219,349.62	199,989.06	658,884.95	528,720.31
Emergency Management	226,049.27	233,346.61	286,394.05	358,025.36
County Fair	-0-	-0-	213,308.79	69,304.37
Hazardous Materials	26,054.94	34,503.87	27,135.45	15,605.24
Domestic Abuse	17,570.00	6,775.38	8,830.00	8,470.00
Accumulated Building	2,269,793.89	1,426,833.64	2,174,825.39	2,893,032.74
Capital Projects	1,282,859.71	776,659.84	1,448,496.85	3,302,069.35
Health Care Trust	1,465,251.70	1,539,149.35	1,070,494.44	461,140.16
Total	$24,278,776.81	$23,617,821.59	$26,748,636.58	$28,895,721.71

Basis of Accounting

All governmental funds and expendable trust funds are accounted for using the modified accrual basis of accounting. The County's records are maintained in accordance with GAAP.

Population and Area

The total land area of the County is approximately 2,776 square miles. Population figures for Pennington County and Rapid City are given below:

	1990 U.S. Census	2000 U.S. Census	2007 U.S. Census Estimate
Pennington County	81,343	88,565	96,280
Rapid City	54,523	59,607	62,715

Income

	Pennington County 2005	Pennington County 2006	State of South Dakota 2005
Per Capita Income	$32,180	$33,478	$30,617
Average Earnings per Job	$32,523	$32,241	$33,765

Source: U.S. Census Data, USD Data Center and South Dakota Economic Development **[Verify table]**

Labor Statistics

Year	County Average Annual Civilian Labor Force	Average Unemployment for the County	Average Unemployment for the State of South Dakota
2008	54,830	2.9%	3.0%
2007	54,055	2.8	2.9
2006	51,658	3.1	3.2
2005	50,981	3.7	3.9
2004	52,373	3.3	3.8
2003	51,222	3.3	3.6
2002	49,010	2.8	3.3
2001	48,315	3.1	3.3
2000	47,520	2.0	2.3
1999	46,650	2.5	2.9
1998	46,740	2.6	2.9

Source: State Data Center of South Dakota

Employment by Industry

	County		South Dakota	
	2006	2007	2006	2007
Mining and Construction	37	43	785	848
Manufacturing	3,420	3,198	41,393	41,932
Trade, Transportation, Utility	1,588	1,604	11,053	12,094
Wholesale	1,934	1,954	12,829	18,352
Financial, Insurance, Real Estate	3,206	3,432	29,228	30,489
Information	1,026	1,077	6,953	7,154
Service	21,489	25,438	131,939	136,216
Government/Government Entity	6,728	6,809	69,093	69,403
Agriculture/Forestry/Fish	137	142	3,314	3,516
Construction	4,060	4,160	21,832	22,197
Retail	8,003	8,073	49,220	49,957

Source: South Dakota Dept of Labor

Major Employers

The largest employers located within the County are:

Employer	Product/Business	Number of Employees
Ellsworth Air Force Base	Military	3,737
Rapid City Regional Hospital	Health Care	2,700
Federal Government	Government	2,632
Rapid City School District	Education	1,689
City of Rapid City	Government	1,380
State of South Dakota	Government	1,090
SD National Guard	Government	1,013
WalMart/Sam's Club	Sales	857
Pennington County	Government	612
Sanmina	Computer/Manufacturing	460

Source: South Dakota Data Center

Area Growth and Development

The real estate market in Pennington County is strong and increasing. All of commercial and residential property is increasing in value over last year. Construction projects of all types of property are underway, and demand appears good.

The average sale price of residential property in Pennington County for 2008 has increased 4.9% over the same for 2007. This follows several previous years with increases of between 3% and 8%. The average sale price of residential property in Rapid City follows a similar trend.

Numbers of properties sold in Pennington County have decreased approximately 18% from 2007 to 2008. The average listing price of sold properties has also decreased approximately 15% from 2007 to 2008. Considering the increasing average sales price, it appears that the residential market might be slowing some and eliminating some speculation in the market. The average listing period has remained relatively unchanged from 2007 to 2008.

Construction of homes continues in many portions of the county. Many new subdivisions are being developed with homes for sale, several with sizes of over 50 lots, and a few with over 100 lots. Homes appear to be being built to match available demand without creating an over-supply.

Commercial construction projects continue, several of significant size. The most notable project is Rushmore Crossing, with spaces for stores of all sizes in an out-door mall setting. This is located on the east edge of Rapid City where significant commercial development is currently underway and has taken place over the last couple of years.

Building Permits

Year	Number of Residential Permits	Value	Number of Commercial Permits	Value
2008	378	$49,640,988	206	$51,976,480
2007	548	92,268,336	216	77,177,565
2006	634	96,119,241	201	59,257,094
2005	761	99,597,017	197	42,494,076
2004	862	106,939,035	202	37,455,633
2003	624	36,286,781	263	7,464,090
2002	732	39,966,952	300	12,310,650
2001	702	34,507,654	248	8,144,933

Source: RC Growth Management/
Pennington County Planning

Medical

Rapid City is a major medical care center for a five-state region, centered around the Rapid City Regional Hospital and the Indian Health Service Sioux San Hospital. Other smaller, independent medical facilities in the area include the Black Hills Surgery Center, The Heart Doctors, The Spine Center, Setliff Sinus Institute, Black Hills Eye Institute, and Regional Behavioral Healthcare. The following are some of the services provided:

Acute Renal Dialysis	Neonatal Nursery
Alcohol and Drug	Obstetrics
Cancer Care	Open Heart Surgery
Coronary Care	Outpatient Surgery
Emergency Department	Pediatric
Home Care Unit	Psychiatric

Hospice	Radiology Therapy
Impatient Surgery	Rehabilitation
Intensive Care Unit	

In addition, there are 23 long-term care and assisted living facilities in the area that have a total of 869 beds.

Source: SD data center, Wikepedia.org

Banking

Banking and financial institutions are available to area residents in Rapid City. Major banking institutions are: Wells Fargo National Bank, First Western Bank, U.S. Bank National Association and Pioneer Bank and Trust. There are also several smaller banks and many Credit Unions serving the County. Year ending bank deposits are listed below for those institutions where balances could be obtained for the County branches.

Bank	2008	2007	2006	2005	2004	2003	2002	2001
Wells Fargo	$312,742	$318,330	$325,141	$362,711	$385,967	N/A	$384,277	$272,157
First Western Bank	308,689	333,834	288,184	258,889	220,935	$78,105	100,951	94,920
US Bank National Assoc	254,442	255,130	247,635	241,279	240,145	233,982	209,902	-
Great Western Bank and Trust	213,796	210,532	211,965	191,040	172,875	176,411	184,269	179,911
Pioneer Bank and Trust	156,539	134,860	123,138	116,141	172,875	176,411	-	-

(Deposits listed in Millions)

Source: FDIC Financial Reports

Education

The Rapid City School District operates 16 Elementary Schools, 5 Middle Schools and 3 Senior High Schools. The District employs 1061 certified personnel and has total enrollment figures as follows for fall 2008:

Grade	Number of Students
K – 5	6,190
6 – 8	2,948
9 – 12	4,013
Total	13,151

Private and parochial education is also available at 10 schools.

The County also has five other school districts serving area residents.

School System	Number of Students	Certified Staff
Douglas School System	2,400	212
Custer School System	949	80
Hill City School System	478	41
Wall Schools	258	23
New Underwood Schools	291	20

Post-secondary education is available at the following schools:

Oglala Lakota College
National American University
Rapid City Regional Hospital
South Dakota School of Mines and Technology
South Dakota State University
University of South Dakota
Western Dakota Vocational Technical School

Source: All School Districts and Rapid City Chamber of Commerce

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APPENDIX C

AUDITED FINANCIAL REPORT FOR YEAR 2008

PENNINGTON COUNTY, SOUTH DAKOTA

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PENNINGTON COUNTY

AUDIT REPORT

For the Year Ended December 31, 2008

PENNINGTON COUNTY
COUNTY OFFICIALS
December 31, 2008

Board of Commissioners:
Brenda Young, Chairman
James Kjerstad
Nancy Trautman, Vice Chairman
Ethan Schmidt
Gale Holbrook

Auditor:
Julie Pearson

Treasurer:
Janet Sayler

State's Attorney:
Glenn Brenner

Register of Deeds:
Donna Mayer

Sheriff:
Don Holloway

PENNINGTON COUNTY
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FAX (605) 773-6454

MARTIN L. GUINDON, CPA
AUDITOR GENERAL

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

County Commission
Pennington County
Rapid City, South Dakota

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pennington County, South Dakota (County), as of December 31, 2008 and for the year then ended which collectively comprise the County's basic financial statements and have issued our report thereon dated September 24, 2009.

We did not audit the financial statements of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and in our opinion, insofar as it relates to the discretely presented component unit is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County in a separate communication dated September 24, 2009.

This report is intended solely for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, state granting agencies, and the governing board and management of Pennington County, South Dakota and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11 and OMB Circular A-133 §__.320, this report is matter of public record and its distribution is not limited.

Martin L. Guindon, CPA
Auditor General

September 24, 2009

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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

County Commission
Pennington County
Rapid City, South Dakota

Compliance
We have audited the compliance of Pennington County, South Dakota (County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Pennington County, South Dakota complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance
The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, state granting agencies, the governing board and management of Pennington County, South Dakota and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11 and OMB Circular A-133 §__.320, this report is matter of public record and its distribution is not limited.

Martin L. Guindon, CPA
Auditor General

September 24, 2009

PENNINGTON COUNTY
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Prior Federal Audit Findings:

The prior audit report contained no written audit findings.

Prior Other Audit Findings:

The prior audit report contained no written audit findings.

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

Summary of the Independent Auditor's Results:

Financial Statements:

a. An unqualified opinion was issued on the financial statements.

b. No significant deficiencies or material weaknesses were disclosed by our audit of the financial statements.

c. Our audit did not disclose any noncompliance which was material to the financial statements.

Federal Awards:

d. An unqualified opinion was issued on compliance with the requirements applicable to major programs.

e. Our audit did not disclose any audit findings that need to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(a).

f. The federal awards tested as major programs were:

1. Payment in Lieu of Taxes	CFDA #15.226
2. Emergency Management Performance Grant	CFDA #97.042
3. Highway Safety Cluster	CFDA #20.600 & #20.601

g. The dollar threshold used to distinguish between Type A and Type B federal award programs was $300,000.

h. Pennington County qualified as a low-risk entity.

Current Federal Audit Findings:

There are no written current federal compliance audit findings to report.

Current Other Audit Findings:

There are no written current other audit findings to report.

STATE OF SOUTH DAKOTA
DEPARTMENT OF LEGISLATIVE AUDIT

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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

County Commission
Pennington County
Rapid City, South Dakota

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pennington County, South Dakota, (County) as of December 31, 2008, and for the year then ended, which collectively comprise the County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements or the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the discretely presented component unit is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pennington County, South Dakota as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2009 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal

control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing* Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (MD&A) and Budgetary Comparison Schedules on pages 8 through 14, and 48 through 51 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The Schedule of Expenditures of Federal Awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Schedule of Revenue and Expenditures, Regional Juvenile Service Center listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Martin L. Guindon, CPA
Auditor General

September 24, 2009

PENNINGTON COUNTY'S
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008

This section of Pennington County's financial report presents our discussion of Pennington County's financial performance during the fiscal year ended December 31, 2008. Please read it in conjunction with Pennington County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Program revenues made up 38% of Pennington County's total revenues with the other 62% derived from general revenues. Program Revenues saw a decrease in General Government and an increase in Public Works charges for goods and services. Program revenues for operating grants for all functions were down 7% from 2007. A large part of the decrease in general government for 2008 is attributed to a single revenue source received in 2007 for the sale of new alcohol licenses.
- Pennington County's General Fund budget increased from 2007 to 2008 by 6%. Public Safety was 59% of the budget; General Government at 31%; Health & Welfare at 5% with all other functions combined totaling 5%.
- The Road Fund reported an actual increase in fund balance of $1,318,503.73, with a decrease in inventory of $63,611.46. Reserves in Road & Bridge and special reserve accounts will be used for major road renovations and equipment purchases over the next 4 to 5 years.
- The fund balance in the General Fund increased by $637,020.56, including a PPA.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts—management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of Pennington County:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about Pennington County's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of Pennington County government, reporting Pennington County's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
  - Fiduciary fund statements provide information about the financial relationships in which Pennington County acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information (RSI) that further explains and supports the information in the financial statements.

Table A-1 summarizes the major features of Pennington County's financial statements, including the portion of Pennington County government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Table A-1
Major Features of Pennington County's Government-wide and Fund Financial Statements

	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds & component units)	The activities of Pennington County that are not proprietary or fiduciary, such as public safety and roads	The activities Pennington County operates similar to private business	Instances in which Pennington County is the trustee or agent for someone else's resources
Required Financial Statements	*Statement of Net Assets *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Balance Sheet *Statement of Revenues, Expenses and Changes in Fund Net Assets *Statement of Cash Flows	*Statement of Fiduciary Net Assets *Statement of Changes in Fiduciary Net Assets
Accounting Basis and Measurement Focus	Accrual accounting & economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting & economic resources focus
Type of Asset/Liability Information	All assets & liabilities, both financial and capital, and short & long-term	Only assets expected to be consumed and liabilities that come due during the year or soon thereafter. No capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term included	All assets & liabilities, both short-term & long-term, the County's funds do not currently contain capital assets although they may
Type of Inflow/Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Statements
The government-wide statements report information about Pennington County as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of Pennington County's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report Pennington County's net assets and how they have changed. Net assets – the difference between Pennington County's assets and liabilities – are one way to measure Pennington County's financial health or position.

- Over time, increases or decreases in Pennington County's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of Pennington County you need to consider additional nonfinancial factors such as changes in Pennington County's property tax base and the conditions of Pennington County's roads and infrastructure.

The government-wide financial statements of Pennington County are reported in two categories:

- Governmental Activities - This category includes Pennington County's basic service, such as general government services (auditor's office, treasurer's office, etc), public safety department, public works department, health and welfare services, culture and recreation services, conservation and natural resources services, urban and economic development programs and payments to local educational agencies. Property taxes, state shared revenues, federal grants and interest earnings finance most of these activities.
- Component Units – The County includes one other entity in its report-the Housing and Redevelopment Commission. Although legally separate, this "component unit" is important because the County Commission retains the statutory authority to approve or deny or otherwise modify the Housing and Redevelopment Commission's plans to construct a low-income housing unit, or to issue debt, which give the County Commission the ability to impose its will on the Housing and Redevelopment Commission. Separately issued financial statement of the Housing and Redevelopment Commission may be obtained from the Housing and Redevelopment Commission, 1805 West Fulton Street, Rapid City, SD 57702-4358.

Fund Financial Statements
The fund financial statements provide more detailed information about Pennington County's most significant funds – not Pennington County as a whole. Funds are accounting devices that Pennington County uses to keep track of specific sources of funding and spending for particular purposes.

- State law requires the majority of the funds.
- Other funds are established, as needed, to control, manage, and reserve money for particular purposes.

Pennington County has three kinds of funds:

- Governmental Funds – Most of Pennington County's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance Pennington County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- Proprietary Funds – Services for which Pennington County charges participants a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both *long-term and short-term financial information.*
  - Pennington County has an internal service fund that report the activities related to providing self-insurance for health coverage to the employees.
- Fiduciary Funds – Pennington County is the trustee, or fiduciary, for various external and internal parties. Pennington County is responsible for ensuring that the assets reported in these funds are transmitted to the intended payee. All of Pennington County's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from Pennington County's government-wide financial statements because Pennington County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF PENNINGTON COUNTY AS A WHOLE

Net Assets

Pennington County has $102,796,016.66 invested in Net Assets, which is a combination of restricted and unrestricted assets. This is a decrease of $56,607.46 from 2007. Liabilities increased by $4,826,058.50 which is a combination of an increase in accounts payables and receivables at year end plus an increase to debt for the addition of new debt for the 2008A Series for completion of two floors of the jail annex. Pennington County capitalizes assets at $5,000 or more.

Pennington County reports no Business-Type Activities but does report one component unit-Pennington County Housing, which the Board of Commissioners appoints its board members.

	Government-Wide Governmental Activities 2006	2007
Current and Other Assets	$ 33,693,043.77	$ 30,101,372.13
Capital Assets	98,143,394.89	96,965,615.49
Total Assets	131,836,438.66	127,066,987.62
Other Liabilities	2,606,216.34	2,644,236.61
Long-Term Debt Outstanding	26,432,205.66	21,570,126.89
Total Liabilities	29,040,422.00	24,214,363.50
Net Assets:		
Investment in Capital Assets Net of Related Debt	74,810,266.86	78,000,490.71
Restricted	17,790,023.36	14,137,037.66
Unrestricted	10,195,726.44	10,715,095.73
Total Net Assets	$ 102,796,016.66	$ 102,852,624.12
Beginning Net Assets	102,852,624.12	64,571,117.93
Increase (Decrease) in Net Assets	837,818.31	(181,426.36)
Prior Period Adjustment for Capital Assets	(894,425.77)	38,462,932.54
Percentage of Increase (Decrease) in Net Assets	(.06%)	59.29%

This is the report of all activities on the accrual basis of accounting with a comparison between 2007 and 2008. The Statement of Net Assets reports all financial and capital resources. This statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of Pennington County are for leave liability and bond debt. The difference between Pennington County's assets and liabilities is its net assets.

Changes in Net Assets

Pennington County's revenues totaled $54,118,970.31 (See Table A-2.) Over 57% of Pennington County's total revenue comes from property and other taxes equating to 57 cents of every dollar collected. (See Table A-2.) Another 26% of total revenues come from charges for goods and services, showing that Pennington County attempts to recover some of its expenses of specialized services, 11% of the remaining total revenues come from state and federal grants. Slightly more than 2% of remaining revenue is general interest and miscellaneous in nature. The percentages varied when compared to last year with a 4% increase in charges for goods and services and a 7% decrease in operating grants. The most significant increase from 2006 was a 46% increase in grants and contributions but was more than negated by a 35% decrease in interest earnings which is consistent with economic downfall in markets nationwide.

The total cost of all programs and services varied this past year with a noticeable decrease of 63% in Health & Welfare that is offset by an increase to Public Safety. This was due to a classification change to our Detox, Friendship House and 24/7 programs in Pennington County. Another decrease of 18% was in Public Works because there was not a road renovation project completed in 2008 in comparison to 2007. The overall budget increase was only 1%. Pennington County's expenses cover a wide range of services. In addition, Pennington County acts as a regional facility centers for incarceration and prisoner transport of adults and juveniles, adult long and short term detoxification programs and a centralized Dispatch Center, thus inflating our percentages and dollars spent in the law enforcement area. (See Table A-2)

GOVERNMENTAL ACTIVITIES

Table A-2 and the narrative that follows review the operations of the governmental activities.

Revenues for Pennington County's governmental activities increased by approximately 3% overall and total expenses increased by only 1%.

Table A-2
Pennington County Change in Net Assets

	Total Governmental Activities 2008	2007	Total Percentage Change 2007 to 2008
Revenues			
Program Revenues:			
Charges for Good and Services	$ 14,248,687.90	$ 13,612,014.84	4%
Operating Grants and Contributions	6,186,167.97	6,675,939.50	(7%)
General Revenues:			
Taxes	30,868,932.20	29,273,814.43	5%
State Shared Revenues	825,406.19	749,790.75	9%
Grants and Contributions Unrestricted	751,967.60	515,516.73	46%
Unrestricted Investment Earnings	931,032.71	1,433,477.19	(35%)
Miscellaneous	306,775.65	257,707.53	19%
Total Revenues	54,118,970.31	52,518,260.97	3%
Expenses			
General Government	13,160,430.06	11,995,061.77	10%
Public Safety	27,814,403.63	23,215,642.74	20%
Public Works	7,845,392.39	9,585,849.16	(18%)
Health and Welfare	1,904,401.85	5,106,263.52	(63%)
Culture and Recreation	806,304.95	966,680.14	(17%)
Conservation of Natural Resources	482,839.57	450,487.01	7%
Urban and Economic Development	388,315.71	444,137.66	(13%)
Interest on Long-Term Debt	879,063.84	935,565.32	(6%)
Total Expenses	53,281,152.00	52,699,687.32	1%
Increase (Decrease) in Net Assets	837,818.31	(181,426.36)	562%
Prior Period Adjustment for Capital Assets	(894,425.77)	38,462,932.54	(102%)
Ending Net Assets	$ 102,796,016.66	$ 102,852,624.12	(.06%)

FINANCIAL ANALYSIS OF PENNINGTON COUNTY'S FUNDS

The financial analysis of Pennington County's funds mirror those highlighted in the analysis of *governmental activities presented* in Table A-2. The General Fund had a respectable increase in fund balance of $572,516.71 which is almost 5%.

The Road & Bridge Fund increased its fund balance in 2008 by $1,254,682.27, almost 14%. As in the past several years, the Road & Bridge Fund continues to accumulate monies for future road projects and large equipment purchases to come in 2009.

The Capital Projects Fund increased its fund balance by $1,609,484.15. A major project to complete two floors of the recently built jail annex was funded primarily with bond proceeds. At the end of 2008 the project was just over half done and will be completed in 2009.

Pennington County did make the following operating transfers between the governmental funds:

Table A-3

Fund	Transfer In	Transfer Out
General Fund	$ 306,974.54	$ 2,025,374.00
Road Fund	1,894,182.00	257,735.35
Other Governmental Funds	131,192.00	51,239.19
Total Operating Transfers	$ 2,334,348.54	$ 2,334,348.54

BUDGETARY HIGHLIGHTS

Over the course of the year, the Pennington County Commission revised the budget several times. These amendments fall into the following categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for its citizens.
- Increases in appropriations, supported by contingency transfers and supplements, to prevent budget overruns.

When preparing its budget, Pennington County is conservative in estimating revenues causing a number of supplements from unknown revenues or unverified grants.

CAPITAL ASSET ADMINISTRATION

By the end of 2008 Pennington County had an invested net of depreciation totaling $96,143,394.89 in a broad range of capital assets, including land and improvements, buildings, law enforcement equipment, highway maintenance equipment and other business equipment as well as infrastructure including the county road & bridges system. (See Table A-4.)

Table A-4
Pennington County – Capital Assets
(Net of Depreciation)

	Total Governmental Activities 2008	Total Governmental Activities 2007	Total Dollar Change 2007 to 2008	Total Percentage Change 2007 to 2008
Land	$ 900,208.00	$ 955,177.00	$ (54,969.00)	(6%)
Construction in Progress	4,167,919.00	193,101.00	3,974,818.00	2058%
Infrastructure (fully reported)	36,646,104.89	37,910,393.49	(1,264,288.60)	(3%)
Buildings	46,423,399.00	47,539,517.00	(1,116,118.00)	(2%)
Machinery and Equipment	10,005,764.00	10,367,427.00	(361,663.00)	(3%)
Total Capital Assets	$ 96,143,394.89	$ 96,965,615.49	$ 1,177,779.40	1%

LONG-TERM DEBT

Pennington County currently has $26,432,205.66 in outstanding bonds and other long-term liabilities with $2,845,953.23 of that due within 1 year's time.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Pennington County increased its total real property valuation from 2006 collect 2007 to 2007 collect 2008 by $401,479,123 or 6.5% over the last year. Under the current taxing statutes, Pennington County can only increase its dollar amount of taxes by a combined percent of new construction values and a specific CPI that is capped at 3%. For 2007 taxes payable in 2008, Pennington County General Fund increased its taxes levied by $3,176,910.96, a 14% increase. This real property increase is typical of new construction property value increases in Pennington County and is above the previous tax year. The way

the tax statutes are designed, mill levies or dollars per thousand of value should minutely decrease each year as long as revaluation of property values exceeds the state approved CPI for the year.

CONTACTING PENNINGTON COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of Pennington County's finances and to demonstrate Pennington County's accountability for the money it receives. If you have questions about this report or need additional information, contact Julie A. Pearson, Pennington County Auditor, 315 St. Joseph St, Suite 107, Rapid City, SD 57701.

PENNINGTON COUNTY
STATEMENT OF NET ASSETS
December 31, 2008

	Primary Government Governmental Activities	Component Units
ASSETS:		
Cash and Cash Equivalents	$ 18,719,563.42	$ 2,968,269.00
Investments	7,815,062.19	
Accounts Receivable, Net	3,952,899.70	534,251.00
Inventories	842,949.64	22,495.00
Other Assets		46,181.00
Restricted Assets:		
Cash and Cash Equivalents	2,362,568.82	
Investments		4,150,825.00
Capital Assets:		
Land, Improvements and Construction in Progress	5,068,127.00	1,979,446.00
Other Capital Assets, Net of Depreciation	93,075,267.89	11,726,556.00
TOTAL ASSETS	$ 131,836,438.66	$ 21,531,023.00
LIABILITIES:		
Accounts Payable	$ 2,063,229.32	$ 306,666.00
Deferred Revenue	544,987.02	23,053.00
Other Current Liabilities		124,942.00
Noncurrent Liabilities:		
Due Within One Year	2,845,953.23	151,389.00
Due in More than One Year	23,586,252.43	2,709,386.00
TOTAL LIABILITIES	29,040,422.00	3,317,436.00
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	74,810,266.86	11,087,685.00
Restricted for: (See Note 12)		
Capital Projects Purposes	3,012,792.00	
Other Purposes	14,777,231.36	1,165,853.00
Unrestricted	10,195,726.44	5,960,049.00
TOTAL NET ASSETS	102,796,016.86	18,213,587.00
TOTAL LIABILITIES AND NET ASSETS	$ 131,836,438.66	$ 21,531,023.00

The notes to the financial statements are an integral part of this statement.

PENNINGTON COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2008

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Component Units
Primary Government:					
Governmental Activities:					
General Government	$ 13,193,430.06	$ 1,611,728.67	$ 542,146.04	$ (11,109,557.35)	$
Public Safety	27,814,455.63	10,972,981.63	2,091,714.77	(15,749,286.23)	
Public Works	7,845,392.35	1,532,269.35	3,613,680.20	(2,721,442.75)	
Health and Welfare	1,804,401.86	894,367.69	34,640.26	(875,393.91)	
Culture and Recreation	805,304.95			(805,304.95)	
Conservation of Natural Resources	482,839.97	164,161.39	4,310.39	(314,368.19)	
Urban and Economic Development	388,315.71	116,239.36		(272,076.35)	
*Interest on Long-Term Debt	979,993.84			(979,993.84)	
Total Primary Government	$ 53,281,157.97	$ 14,248,987.89	$ 6,186,187.97	(32,845,984.91)	
Component Units:					
Pennington County Housing	$ 10,534,666.00	$ 10,466,363.80			(105,393.60)
		General Revenues:			
		Taxes:			
		Property Taxes		29,895,992.80	
		911 Telephone Surcharge		971,838.70	
		State Shared Revenues		825,408.19	
		Grants and Contributions not Restricted to Specific Programs		791,997.60	844,992.60
		Unrestricted Investment Earnings		931,892.71	976,867.60
		Miscellaneous Revenue		305,775.85	
		Total General Revenues		33,894,114.35	923,738.60
		Change in Net Assets		937,818.31	757,408.60
		Net Assets - Beginning		102,963,694.13	17,489,191.00
		Adjustments:			
		Infrastructure Depreciation Correction		(894,423.77)	
		Adjusted Net Assets - Beginning		101,956,196.36	17,489,191.00
		NET ASSETS - ENDING		$ 102,796,016.86	$ 18,213,587.00

* The County does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

The notes to the financial statements are an integral part of this statement.

PENNINGTON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2008

	General Fund	Road & Bridge Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	$ 3,997,912.67	$ 9,795,892.34	$ 947,229.70	$ 4,689,616.98	$ 19,330,451.69
Investments	7,916,892.19				7,916,892.19
Taxes Receivable--Delinquent	488,150.82	42,167.43		68,238.69	598,556.94
Accounts Receivable, Net	189,319.36	43,114.87		216,951.82	349,386.05
Notes Receivable	3,388.80				3,388.80
Due from Other Fund	30,000.00				30,000.00
Due from Other Governmental	1,896,916.66	1,811,788.82		288,812.16	3,997,917.64
Inventory of Supplies		842,949.84			842,949.84
Restricted Cash and Cash Equivalents	9,899.65		3,364,938.65	1,472.72	3,376,311.02
TOTAL ASSETS	$ 14,134,577.69	$ 13,540,881.92	$ 4,312,168.35	$ 5,165,795.37	$ 37,153,423.33
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	$ 823,376.81	$ 344,699.77	$ 299,377.35	$ 335,984.89	$ 1,803,434.32
Due to Another Fund				30,000.00	30,000.00
Deferred Revenue	687,347.82	43,167.43		117,830.91	1,143,345.66
Total Liabilities	1,510,696.13	387,867.20	299,377.35	274,734.79	2,972,779.98
Fund Balances:					
Reserved For:					
Inventory		842,949.84			842,949.84
Debt Service				1,472.72	1,472.72
Emergency Disaster		339,412.43			339,412.43
Secondary Road		3,997,653.39			3,997,653.39
Other Purposes				5,772.86	5,772.86
Unreserved Fund Balance:					
Designated for Next Year's Appropriation	4,599,316.00	55,652.39			4,654,968.39
Reported in Nonmajor:					
Special Revenue Funds				288,791.66	288,791.66
Designated for Other Purposes	414,057.40				414,057.40
Undesignated	7,607,604.11	5,169,668.67	3,012,792.00		15,890,064.78
Reported in Nonmajor:					
Special Revenue Funds				4,672,604.80	4,672,604.80
Total Fund Balances	12,621,477.51	10,344,830.72	3,012,792.00	4,768,660.47	30,392,824.95
TOTAL LIABILITIES AND FUND BALANCES	$ 14,134,577.69	$ 13,540,881.92	$ 3,312,169.35	$ 5,165,795.37	$ 33,365,724.93

The notes to the financial statements are an integral part of this statement.

PENNINGTON COUNTY
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
December 31, 2008

Total Fund Balances - Governmental Funds	$ 30,392,824.95
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	98,143,394.89
Long-term liabilities, including bonds payable and accrued leave payable are not due and payables in the current period and therefore are not reported in the funds.	(26,432,205.66)
Assets such as taxes receivable (delinquent) and special assessment receivables (current, delinquent, and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds.	598,558.04
Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	93,644.44
Net Assets - Governmental Funds	$ 102,796,016.66

The notes to the financial statements are an integral part of this statement.

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PENNINGTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2008

	General Fund	Road & Bridge Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
General Property Taxes--Current	$ 25,029,164.95	$ 1,469,160.83	$	$ 2,730,221.43	$ 29,218,469.82
General Property Taxes--Delinquent	219,988.43	19,246.89		38,564.76	277,797.38
Penalties and Interest	63,258.26	4,340.87		8,183.76	75,782.87
Telephone Tax (Cellular)	889,134.72				889,134.72
Mobile Home Tax	79,621.88	8,414.13		9,272.79	88,308.40
911 Telephone Surcharge				971,936.70	971,936.70
Tax Deed Revenue	844.16	222.83		142.82	1,209.81
Other Taxes	1,228.22				1,228.22
Licenses and Permits	284,308.45	2,967.97		32,480.00	289,195.42
Intergovernmental Revenue:					
Federal Grants	988,467.84			797,531.88	1,786,999.22
Federal Shared Revenue	6,676.49	880,738.06		30,916.80	918,331.35
Federal Payments in Lieu of Taxes	780,880.80				780,880.80
State Grants	15,310.36				15,310.36
State Shared Revenue:					
Bank Franchise	216,872.88	12,133.97		35,619.73	264,626.58
Motor Vehicle Licenses		3,180,891.87			3,180,891.87
Inheritance Tax	12,948.42				12,948.42
Liquor Tax Reversion	794.88				794.88
Court Appointed Attorney/ Public Defender	164,880.84				164,880.84
Prairie Port of Entry Fees		362,883.91			362,883.91
Absent and Neglected Child Defense	31,871.74				31,871.74
63 3/4% Mobile Home/Manufactured Home		85,199.17			85,199.17
Secondary Road Motor Vehicle Remittances		783,291.44			783,291.44
Telecommunications Gross Receipts Tax	831,848.77				831,848.77
Other State Shared Revenue	7,898.81			45,919.85	53,818.66
Other Payments in Lieu of Taxes	16,944.77			1,813.17	18,757.94
Other Intergovernmental Revenue	1,875,737.91	136,914.36		78,423.70	1,991,075.97
Charges for Goods and Services:					
General Government:					
Treasurer's Fees	146,917.18				146,917.18

Register of Deeds' Fees	877,236.71				877,236.71
Clerk's License Exam	625.00				625.00
Legal Services	23,237.72				23,237.72
Clerk of Courts Fees	168,662.46				168,662.46
Other Fees	118,988.79			11,874.00	130,862.79
Public Safety:					
Law Enforcement	1,103,313.81				1,103,313.81
Prisoner Care	4,747,888.44				4,747,888.44
Other	3,637,396.00			12,366.00	3,649,661.00
Public Works:					
Highways		53,231.36			53,231.36
Health and Welfare:					
Economic Assistance:					
Poor Law Recoveries	472,878.38				472,878.38
Veterans Service Officer	3,700.00				3,700.00
Mental Health Services	31,000.00				31,000.00
Conservation of Natural Resources	63,986.00				63,986.00
Other Charges	116,811.97				116,811.97
Fines and Forfeits:					
Fines	275.00				275.00
Costs	169,613.56				169,613.56
Forfeits	2,430.00				2,430.00
Miscellaneous Revenue:					
Investment Earnings	434,091.17	257,738.36	69,363.00	130,636.98	921,786.40
Rent	30.00				30.00
Special Assessments	3,988.18				3,988.18
Contributions and Donations	86,786.30			1,017.00	88,784.30
Refund of Prior Year's Expenditures	6,860.26			117.00	6,977.26
Other	227,250.99	11,287.96		4,241.36	242,780.30
Total Revenue	41,894,466.33	9,873,600.96	69,363.00	5,849,373.63	53,686,793.94
Expenditures:					
General Government:					
Legislative:					
Board of County Commissioners	886,821.39				886,821.39
Elections	463,903.69				463,903.69
Judicial System	388,823.36				388,823.36
Financial Administration:					
Auditor	278,308.91			95,189.45	373,398.36
Treasurer	743,799.61				743,799.61
Data Processing	367,232.32				367,232.32
Legal Services:					
State's Attorney	1,787,839.80				1,787,839.80
Public Defender	1,434,112.79				1,434,112.79
Court Appointed Attorney	267,880.48				267,880.48
Abused and Neglected Child Defense	166,479.41				166,479.41

PENNINGTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2006
(Continued)

	General Fund	Road & Bridge Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Other	634,117.69				634,117.69
Other Administration:					
General Government Building	2,775,578.54			210,699.97	2,986,278.51
Director of Equalization	984,369.13				984,369.13
Register of Deeds	384,215.69				384,215.69
Other	190,669.69				190,669.69
Public Safety:					
Law Enforcement:					
Sheriff	5,460,886.78			66,882.10	5,527,767.88
County Jail	7,139,776.41		94,284.69		7,330,874.41
Coroner	117,119.69				117,119.69
County-Wide Law Enforcement	843,843.21				843,843.21
Juvenile Detention	5,230,892.43				5,230,892.43
Other Law Enforcement	3,157,788.11				3,157,788.11
Protective and Emergency Services:					
Fire Protection				359,892.69	359,892.69
Emergency and Disaster Services	183,859.94			779,989.78	963,889.72
Communication Center	1,471,139.80			818,369.81	2,289,889.81
Public Works:					
Highways and Bridges					
Highways, Roads and Bridges		6,897,330.35			6,897,330.35
Other Public Works	89,889.91				89,889.91
Health and Welfare:					
Economic Assistance:					
Support of Poor	1,911,479.82				1,911,479.82
Health Assistance:					
County Nurse	39,889.80				39,889.80
Health Services	139,270.80				139,270.80
Ambulances	3,483.76				3,483.76
Social Services:					
Care of Aged	39,446.80				39,446.80
Domestic Abuse				44,185.89	44,185.89
Other	36,891.41				36,891.41
Mental Health Services:					
Mentally Ill	728,846.64				728,846.64
Culture and Recreation:					
Culture:					

Public Library				398,894.80	398,894.80
Recreation:					
County Fair				362,998.86	362,998.86
Conservation of Natural Resources:					
Soil Conservation:					
County Extension	102,810.13				102,810.13
Soil Conservation District	89,368.80				89,368.80
Predator Control District	3,830.30				3,830.30
Weed and Pest Control	215,894.84				215,894.84
Water Conservation:					
Drainage Commissioners	89,289.89				89,289.89
Urban and Economic Development:					
Urban Development:					
Planning and Zoning	329,886.86				329,886.86
Other	21,842.76				21,842.76
Economic Development:					
Tourism, Industrial or Recreational Development	27,889.80				27,889.80
Debt Service	946,894.84			1,364,376.66	2,311,680.80
Capital Outlay	379,291.80	1,819,212.75	3,976,817.82	82,877.78	6,818,199.75
Total Expenditures	39,734,146.94	7,191,843.80	4,029,821.82	4,333,836.89	85,488,837.85
Other Financing Sources (Uses):					
Transfers In	308,974.84	1,894,182.80		131,182.80	2,334,340.84
Transfers Out	(2,085,374.68)	(287,736.36)		(61,229.19)	(2,334,340.84)
Proceeds of General Long-Term Debt			5,800,182.17	230,847.83	6,031,030.00
Sale of County Property	38,885.86			40,000.00	68,885.86
Total Other Financing Sources (Uses)	(1,697,793.98)	1,836,446.86	5,899,182.17	360,800.84	5,898,636.86
Net Change in Fund Balances	872,518.71	1,318,888.78	1,809,464.18	899,247.89	4,380,752.27
Change in Fund Balance Reserves:					
Change in Inventory		63,511.46)			63,511.46)
Fund Balance - Beginning	11,884,131.89	8,104,726.46	1,403,387.86	3,983,316.84	29,086,484.14
Adjustments:					
Prior Period Adjustment Election Equipment Reporting	84,883.86			84,883.86)	0.00
Adjusted Fund Balance - Beginning	11,884,634.86	8,104,726.46	1,403,387.86	3,928,812.89	29,086,484.14
FUND BALANCE - ENDING	$ 12,231,161.86	$ 10,359,920.72	$ 3,612,782.00	$ 4,788,890.67	$ 30,392,634.86

The notes to the financial statements are an integral part of this statement.

PENNINGTON COUNTY
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended December 31, 2006

Net Change in Fund Balances - Total Governmental Funds	$ 4,380,752.27
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	2,479,144.10
In the statement of activities, the loss on disposal of assets is reported, whereas in the governmental funds, the disposal of fixed assets is not reflected.	(406,938.93)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,431,996.75
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	69,580.49
Governmental funds reflect inventory changes as Changes in Reserves to Fund Balance, but the statement of activities reflects the change through expenditures.	(63,511.46)
Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures.	(156,201.52)
Governmental funds do not reflect the change in accrued OPEB, but the statement of activities reflects the change in accrued OPEB through expenditures.	(337,874.00)
Proceeds of bond principal is a revenue in the Governmental Funds, but increases the long-term liabilities in the statement of net assets.	(5,800,000.00)
Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	(739,029.39)
Change in Net Assets of Governmental Activities	$ 837,818.31

The notes to the financial statements are an integral part of this statement.

PENNINGTON COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2008

	Internal Service Funds Health Care Trust
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	$ 461,140.16
Accounts Receivable, Net	12,179.28
TOTAL ASSETS	$ 473,319.44
LIABILITIES:	
Current Liabilities:	
Accounts Payable	$ 379,675.00
NET ASSETS:	
Unrestricted Net Assets	93,644.44
TOTAL LIABILITIES AND NET ASSETS	$ 473,319.44

The notes to the financial statements are an integral part of this statement.

PENNINGTON COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2008

	Internal Service Funds Health Care Trust
Operating Revenue:	
Charges for Goods and Services	$ 3,119,511.32
Contributions and Donations (Refunds)	431,816.89
Total Operating Revenue	3,551,328.21
Operating Expenses:	
Personal Services	537,125.54
Other Current Expense	5,444.44
Claims Paid - Gross	3,779,941.61
Total Operating Expenses	4,322,511.59
Operating Income (Loss)	(771,183.38)
Nonoperating Revenue (Expense):	
Investment Earnings	32,153.99
Change in Net Assets	(739,029.39)
Net Assets - Beginning	832,673.83
NET ASSETS - ENDING	$ 93,644.44

The notes to the financial statements are an integral part of this statement.

PENNINGTON COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2008

	Internal Service Funds Health Care Trust
Cash Flows from Operating Activities:	
Cash Receipts from Customers/Employees	$ 3,119,511.32
Cash Payments to Administrator	(542,589.98)
Claims Paid	(3,650,266.61)
Other Operating Receipts	431,817.00
Net Cash Provided (Used) by Operating Activities	(641,508.27)
Cash Flows from Investing Activities:	
Interest Earnings	32,153.99
Net Increase (Decrease) in Cash and Cash Equivalents	(609,354.28)
Cash and Cash Equivalents at Beginning of Year	1,070,494.44
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 461,140.16
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	$ (771,183.38)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Change in Assets and Liabilities:	
Receivables	0.11
Accounts and Other Payables	129,675.00
Net Cash Provided (Used) by Operating Activities	$ (641,508.27)

The notes to the financial statements are an integral part of this statement.

PENNINGTON COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2008

	Agency Funds
ASSETS:	
Cash and Cash Equivalents	$ 3,520,233.76
TOTAL ASSETS	$ 3,520,233.76
LIABILITIES:	
Amounts Held for Others	$ 637,005.46
Due to Other Governments	2,883,228.30
TOTAL LIABILITIES	$ 3,520,233.76

The notes to the financial statements are an integral part of this statement.

PENNINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

The reporting entity of Pennington County, SD consists of the primary government which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility; those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The County is financially accountable if its County Commission appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on the County. The County may also be financially accountable for another organization if that organization is fiscally dependent on the County.

The Housing and Redevelopment Commission of Pennington County, South Dakota is a proprietary fund-type, a discretely-presented component unit. The five members of the Commission are appointed by approval of the Board of County Commissioners for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The County Commission, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct a low-income housing unit, or to issue debt, which gives the County Commission the ability to impose its will on the Commission. The Housing and Redevelopment Commission's fiscal year end is March 31 of each year. The County has included the March 31, 2006 audit report's financial information, which is the most recent available, for the amounts it reports as a discretely presented component unit. No significant transactions between the County and the Housing Development Commission have occurred. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: 1604 West Fulton Street, Rapid City SD 57702-4358.

b. Basis of Presentation:

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Discretely presented component units are legally separate organizations that meet certain criteria, as described in note 1.a., above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.a., above.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are

those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the County financial reporting entity are described below:

Governmental Funds:

General Fund – the General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

Special Revenue Funds – special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

County Road and Bridge Fund – to account for funds credited to the county road and bridge fund pursuant to SDCL 32-11-4.2 to be used by the board of county commissioners for grading, constructing, planing, dragging, and maintaining county highways and also for dragging, maintaining, and grading secondary roads. Proper equipment for dragging, grading, and maintaining highways, such as graders, tractors, drags, maintainers, and planers may be purchased from the road and bridge fund. (SDCL 32-11-2 and 32-11-4.2) This is a major fund.

The remaining Special Revenue funds are not considered major funds: Library, Drug Seizure, County Fire Administration, Title III, Emergency Management, Hazardous Materials, Domestic Abuse, Accumulated Building, 911 Service, and County Fair. These funds are reported on the fund financial statements as "Other Governmental Funds".

Debt Service Funds – Debt service funds are used to account for the accumulation of resources for and the payment of general long-term debt principal, interest, and related costs.

TIF #2 Debt Service Fund – to account for property taxes which may be used only for payment of the debt principal, interest, and related costs. This is not a major fund.

Capital Projects Funds – capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds for individuals, private organizations, or other governments).

The County maintains a Capital Projects Fund. This fund is used to account for the financial resources used for the construction and completion of the County Government and state court systems. This is a major fund.

Proprietary Funds:

Internal Service Funds – internal service funds are used to account for the financing of goods or services provided by one department to other departments of the primary government on a cost-reimbursement basis. The particular types of goods or services provided to other departments are for employee health care. Internal service funds are never considered to be major funds. The Health Care Trust Fund is the only internal service fund maintained by the County.

Fiduciary Funds:

Fiduciary funds consist of the following sub-category and are never considered to be major funds:

Agency funds – Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are used to account for the accumulation and distribution of property tax revenues and various pass through funds.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental fund types, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary fund types.

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities, governmental and component unit activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned usually when the right to receive cash vests; and, expenses and related liabilities are recorded when an obligation is incurred usually when the obligation to pay cash in the future vests.

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the County is 30 days. The revenues which are accrued at December 31, 2006 are are: highway billings, board of prisoners, and other receivables from various federal, state, and local governments.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary and fiduciary fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

In order to minimize the doubling-up effect of internal service fund activity, certain "centralized expenses" including an administrative overhead component, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the Health Care Trust Fund, so that expenses are reported only by the function to which they relate.

Fund Financial Statements:

Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources."

e. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. *Infrastructure assets* are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Financial Statements:

Capital assets are recorded at historical cost, or estimated cost, where actual cost could not be determined. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

The total December 31, 2008 balance of governmental activities capital assets all represent original costs.

Infrastructure assets used in general government operations, consisting of certain *improvements other than buildings, including roads, bridges, sidewalks, drainage systems,* and lighting systems, acquired prior to January 1, 1980, were not required to be capitalized by the County. Infrastructure assets acquired since January 1, 1980 are recorded at cost, and classified as "Improvements Other than Buildings." The County has reported all infrastructure assets on its December 31, 2008 statements.

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities. Accumulated depreciation is reported on the government-wide Statement of Net Assets.

Capitalization thresholds are the dollar values above which asset acquisitions are added to *the capital asset accounts, depreciation methods, and estimated useful lives of capital assets* reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land and Land Rights	all capitalized	——N/A——	——N/A——
Improvements Other Than Buildings	$ 50,000	Straight-line	various years
Buildings	$ 50,000	Straight-line	various years
Machinery and Equipment	$ 5,000	Straight-line	various years
Infrastructure	$ 50,000	Straight-line	various years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as Capital Outlay expenditures of the appropriate governmental fund upon acquisition.

f. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of general obligation bonds, financing of capital acquisition leases, and compensated absences.

In the fund financial statements, debt proceeds are reported as revenues on other financing sources, while payments of principal and interest are reported as expenditures when they become due.

g. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the County's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Net Assets, *revenues and expenses are classified in a manner consistent with how they are classified in* the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

i. Cash and Cash Equivalents:

The County pools the cash resources of its funds for cash management purposes. The Health Care Trust Fund, a proprietary fund, essentially has access to the entire amount of its cash resources on demand. Accordingly, the Health Care Trust Fund's equity in the cash management pool is considered to be cash and cash equivalents for the purpose of the Statement of Cash Flows.

j. Equity Classifications:

Government-wide Financial Statements:

Equity is classified as net assets and is displayed in three components:

1. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2. Restricted net assets – Consists of net assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

3. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Reserved" and "Unreserved" components. Proprietary fund equity is classified the same as in the government-wide financial statements. Agency Funds have no fund equity. The net assets are reported as net assets held in agency capacity.

k. Application of Net Assets:

It is the County's policy to first use restricted net assets, prior to the use of unrestricted net assets, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The County is prohibited by statute from spending in excess of appropriated amounts at the department level. There was one in 2008. General Fund – Predatory Animal Control budget was over spent by 30 cents. Since the over spent budget was minimal, the Board of County Commissioners did not take any action to address this violation.

3. DEFICIT FUND BALANCES/FUND NET ASSETS

As of December 31, 2008 no funds had deficit fund balances.

4. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The County follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits – The County's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 7-20-1, 7-20-1.1 and 7-20-1.2, and may be in the form of demand or time deposits.

Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments – In general, SDCL 4-5-6 permits County funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Credit Risk – State law limits eligible investments for the County, as discussed above. The County has no investment policy that would further limit its investment choices.

As of December 31, 2008, the County had the following investments. All investments are in an internal deposit and investment pool.

Investment Type	Credit Rating	Fair Value
Government National Mortgage Assn	AAA	$ 73,630.38
Federal National Mortgage Assn	AAA	57,489.19
Federal Home Loan Mortgage Corp	AAA	22,656.36
Subtotal		153,775.93
Mutual Funds:		
Tamarack Money Market	AAA	24,780.22
First American Government Obligation Fund	AAA	2,354,539.65
Subtotal		2,379,319.87
TOTAL		$ 2,533,095.80

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect fair market value of an investment.

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1 year	1 to 5 years	6 to 10 years	Greater than 10 years
GNMA	$	$	$	$	$ 19,796.64
GNMA					53,833.74
FNMA					44,774.25
FNMA					12,714.94
FHLA					22,656.36
Subtotal		0.00	0.00	0.00	153,775.93
Other Investments					
Mutual Funds	2,379,319.87				
Total	$ 2,379,319.87				

Assignment of Investment Income -- State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The County's policy is to credit all income from deposits and investments to the General Fund, except for 911 Service, Capital Projects, and the Health Care Trust fund which retains their investment income. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated.

5. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The County expects all receivables to be collected within one year.

6. INVENTORY

Inventory in the Road and Bridge Fund consists of expendable supplies held for consumption. Supply inventories are recorded at cost using the average cost method of valuation.

Government-wide Financial Statements:

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed.

Fund Financial Statements:

In the fund financial statements, purchases of supply inventory items are recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

7. PROPERTY TAXES

Property taxes are levied on or before October 1, of the year preceding the start of the fiscal year. They attach as an enforceable lien on property, and become due and payable as of the following January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

The County is permitted by several state statutes to levy varying amounts of taxes per $1,000 of taxable valuation on taxable real property in the County.

8. CHANGES IN GENERAL CAPITAL ASSETS

A summary of changes in capital assets and construction in progress for the year ended December 31, 2008 is as follows:

	Balance 1/1/2008	Increase	Decreases	Adjustment**	Balance 12/31/2008
Governmental Activities:					
Capital Assets not being Depreciated:					
Land	$ 965,177.00	$	$ (64,969.00)	$	$ 900,208.00
Construction in Progress	193,101.00	3,974,818.00			4,167,919.00
Total Capital Assets not being Depreciated	1,148,278.00	3,974,818.00	(64,969.00)	0.00	5,068,127.00
Capital Assets being Depreciated:					
Infrastructure (exp other than Bldgs)	87,828,042.24	1,075,381.00	(147,694.24)		88,755,729.00
Buildings	80,851,059.00		(132,345.00)		80,718,714.00
Machinery and Equipment	16,411,433.00	914,869.00	(522,523.00)	1,867.00	16,805,646.00
Total Capital Assets being Depreciated	145,090,534.24	1,990,250.00	(802,562.24)	1,867.00	146,280,089.00
TOTAL CAPITAL ASSETS	$ 146,238,812.24	$ 5,965,068.00	$ (867,531.24)	$ 1,867.00	$ 151,348,216.00
Less Accumulated Depreciation for:					
Infrastructure	$ (29,917,848.75)	$ (1,491,880.00)	$ 165,998.31	$ (896,292.77)	$ (32,109,824.11)
Buildings	(13,311,542.00)	(991,880.00)	7,886.00		(14,295,316.00)
Machinery and Equipment	(6,044,006.00)	(1,837,805.00)	281,726.00		(7,799,882.00)
Total Accumulated Depreciation	(48,273,196.75)	(3,430,954.90)	385,623.31	(896,292.77)	(53,204,821.11)
Total Capital Assets being Depreciated, Net	96,817,337.49	(1,440,704.90)	(406,938.93)	(894,425.77)	93,075,267.89
Governmental Activity Capital Assets, Net	$ 98,965,615.49	$ 2,534,113.10	$ (481,807.93)	$ (894,425.77)	$ 98,143,394.89

** Adjustments were made for an infrastructure depreciation prior period corrections.

Depreciation expense was charged to functions as follows:

	12/31/2008
General Government	$ 218,929.00
Public Safety	1,282,667.00
Public Works	1,837,867.90
Health and Welfare	15,382.00
Culture and Recreation	85,842.00
Conservation of Natural Resources	18,380.00
Urban and Economic Development	8,377.00
Total Depreciation Expense-Governmental Activities	$ 3,430,954.90

9. CHANGES IN COMPONENT UNIT CAPITAL ASSETS

2008	Balance 4/1/2007	Additions	Deletions	Balance 3/31/2008
Land	$ 1,979,446	$	$	$ 1,979,446
Buildings	29,502,662	711,288	(30,769)	30,183,181
Furniture, Equipment and Machinery – Dwellings	511,112		(14,940)	496,172
Furniture, Equipment and Machinery – Administration	101,029			101,029
Leasehold Improvements	3,544,371	32,599		3,576,970
TOTAL	$ 35,636,620	$ 743,887	$ (45,709)	$ 36,336,796

2007	Balance 4/1/2006	Additions	Deletions	Balance 3/31/2007
Land	$ 1,261,852	$ 717,594	$	$ 1,979,446
Buildings	29,125,699	430,687	(53,724)	29,502,662
Furniture, Equipment and Machinery – Dwellings	518,648		(7,536)	511,112
Furniture, Equipment and Machinery – Administration	106,617	1,330	(6,918)	101,029
Leasehold Improvements	3,415,371	129,000		3,544,371
TOTAL	$ 34,428,187	$ 1,278,611	$ (68,178)	$ 35,636,620

Accumulated depreciation activity for the years ended March 31, 2008 and 2007 was as follows:

2008	Balance 4/1/2007	Additions	Deletions	Balance 3/31/2008
Buildings	$ 18,819,284	$ 1,221,058	$ (27,268)	$ 19,813,074
Furniture, Equipment and Machinery – Dwellings	416,017	28,833	(14,940)	429,910
Furniture, Equipment and Machinery – Administration	90,123	5,621		95,744
Leasehold Improvements	2,156,445	136,622		2,292,068
TOTAL	$ 21,283,870	$ 1,389,134	$ (42,208)	$ 22,630,796

2007	Balance 4/1/2006	Additions	Deletions	Balance 3/31/2007
Buildings	$ 17,328,738	$ 1,518,669	$ (28,123)	$ 18,819,284
Furniture, Equipment and Machinery – Dwellings	398,838	25,715	(7,536)	416,017
Furniture, Equipment and Machinery – Administration	87,285	9,755	(6,918)	90,123
Leasehold Improvements	2,043,636	112,808		2,156,445
TOTAL	$ 19,858,600	$ 1,467,947	$ (42,577)	$ 21,283,870

10. LONG-TERM LIABILITIES, COMPONENT UNITS, COMPENSATED ABSENCES

A summary of changes in long-term liabilities follows:

	Long-Term Debt January 1, 2008	Additions	Deletions	Long-Term Debt December 31, 2008	Due In One Year
Governmental Long-Term Debt:					
Certificates of Participation:					
2008A Series-Matures 12/1/23	$	$ 5,800,000.00	$	$ 5,800,000.00	$ 305,000.00
2004 Series-Matures 6/1/13	800,000.00		125,000.00	675,000.00	125,000.00
2003A Refunded Series-Matures 12/1/23	10,000,000.00		170,000.00	9,830,000.00	495,000.00
2003B Refunded Series-Matures 12/1/08	310,000.00		310,000.00		
2002 Event Center-Matures 12/1/17	2,690,000.00		220,000.00	2,470,000.00	230,000.00
2000 JSC Series-Matures 5/1/13	1,570,000.00		230,000.00	1,340,000.00	240,000.00
Honeywell Lease Matures 7/11/16	3,470,134.78		320,173.65	3,149,961.13	334,841.78
Tax Increment Financing-Matures 4/15/10	125,000.00		38,823.10	86,176.90	11,830.90
Accrued Leave Liability At 12/31/08	2,605,002.11	156,201.52		2,761,203.63	1,104,481.45
Accrued OPEB Liability At 12/31/08		337,874.00		337,874.00	
Total Primary Unit	21,570,136.89	6,294,075.52	1,431,996.75	28,432,205.66	2,845,953.23
Component Unit	2,729,953.00		111,636.00	2,618,317.00	99,371.00
GRAND TOTAL DEBT	$ 24,300,079.89	$ 6,294,075.52	$ 1,543,632.75	$ 29,050,522.66	$ 2,945,324.23

The annual requirements to amortize all debt outstanding as of December 31, 2008, except for compensated absences and OPEB liability are as follows:

Annual Requirements to Amortize Long-Term Debt
December 31, 2008

Year Ending December 31,	Instalment Contract		Certificates of Participation Payable	
	Principal	Interest	Principal	Interest
2009	$ 334,841.78	$ 136,943.16	$ 1,395,000.00	$ 787,992.75
2010	350,181.88	123,603.06	1,440,000.00	740,446.50
2011	366,224.77	107,560.17	1,505,000.00	688,721.75
2012	383,002.64	90,782.30	1,550,000.00	631,867.13
2013	400,549.15	73,235.79	1,620,000.00	570,594.25
2014-2018	1,315,150.91	106,203.92	6,310,000.00	2,072,502.75
2019-2023			6,295,000.00	824,243.50
Total	$ 3,149,951.13	$ 640,328.40	$ 20,115,000.00	$ 6,316,368.63

Year Ending December 31,	Tax Increment Financing		Total	
	Principal	Interest	Principal	Interest
2009	$ 18,676.05	$ 4,361.95	$ 1,748,719.83	$ 931,317.86
2010	49,298.85	1,695.30	1,839,480.73	865,744.86
2011			1,871,224.77	796,281.92
2012			1,933,002.64	722,649.43
2013			2,020,549.15	643,830.04
2014-2018			7,625,150.91	2,178,706.67
2019-2023			6,295,000.00	824,243.50
Total	$ 68,176.90	$ 6,077.25	$ 23,333,128.03	$ 6,962,774.28

Debt payable at December 31, 2008 is comprised of the following:

Certificates of Participation:	
2008A Series – Interest Rates from 2.8 percent to 4.4 percent – Maturing 12/1/2023 – Payable from Accumulated Building Fund	$ 5,800,000.00
2004 Series – Interest Rates from 1.25 percent to 3.4 percent – Maturing 5/1/13 – Payable from Accumulated Building Fund	$ 675,000.00
2003A Refunding Series – Interest Rates from 2.8 percent to 4.4 percent – Maturing 12/1/23 – Payable from Accumulated Building Fund	$ 9,830,000.00
2000 Series – Western South Dakota Juvenile Detention Center – Interest Rates from 4.5 percent to 5.4 percent – Maturing 5/1/13 – Payable from Accumulated Building Fund	$ 1,340,000.00
2002 Series – Event Center – Interest Rates from 4.0 percent to 4.75 percent – Maturing 12/1/17 – Payable from County Fair Fund	$ 2,470,000.00

Instalment Contracts:	
Honeywell Lease – Interest Rate of 4.53 percent – Maturing 7/11/16 – Payable from Accumulated Building Fund	$ 3,149,951.13
Compensated Absences:	
Accrued Leave Liability at December 31, 2008	$ 2,761,203.63
Payment to be made by the fund that the payroll expenditures are charged to.	
2002 Tax Increment Financing Bank Loan – Interest Rate of 7 percent – Maturing 4/15/10 – *Paid by Tax Increment District 2000-01*	$ 68,176.90

11. CONDUIT DEBT

In the past, the County has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. *These bonds are secured by the property being financed and are payable solely from payments* received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the County, the State of South Dakota, nor any other political subdivision of the state is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2008, there were five:

Entity	Balance 12/31/2008
Black Hills Power and Light	$ 2,050,000.00
Black Hills Workshop	1,998,390.02
Children's Care Hospital and School	726,922.48
United Blood Services	45,906,000.00
United Way	311,813.42
Total	$ 50,992,125.92

12. RESTRICTED NET ASSETS

Restricted net assets for the year ended December 31, 2008 were as follows:

Major Funds:	
Capital Projects Purposes	$ 3,012,792.00
Road and Bridge Purposes	9,968,170.69
Other Governmental Purposes:	
Library Purposes	187,984.00
Drug Seizure Purposes	78,691.32
County Fire Purposes	263,734.21
County Fair Purposes	69,304.37
Title III Purposes	613,125.53
911 Service Purposes	357,998.24
Emergency Management Purposes	403,130.89
Hazardous Materials Purposes	11,885.85
Accumulated Building Purposes	2,803,206.46
Total Restricted Net Assets	$ 17,790,023.36

These balances are restricted due to donor restriction and statutory requirements.

13. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2008 were as follows:

	Transfers To:			
Transfers From:	General Fund	County Road and Bridge Fund	Total Other Governmental Funds	Totals
Major Funds:				
General Fund	$	$ 1,894,182.00	$ 131,192.00	$ 2,025,374.00
County Road and Bridge Fund	257,735.35			257,735.35
Other Governmental Funds	51,239.19			51,239.19
Total	$ 308,974.54	$ 1,894,182.00	$ 131,192.00	$ 2,334,348.54

The county typically budgets transfers to the County Road and Bridge Fund and the Emergency Management Fund to conduct the indispensable functions of the county. According to Commission policy, transfers to the General Fund are for the transfer of interest earnings.

14. PRIOR PERIOD ADJUSTMENTS

There was one prior period adjustment to properly record an election grant for $64,503.85.

15. RETIREMENT PLAN

All employees, except for non-benefited part-time employees, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

General employees are required by state statute to contribute 6 percent of their salary to the plan, while law enforcement employees contribute at 8 percent. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The County's employer share of contributions to the SDRS for the fiscal years ended December 31, 2008, 2007, and 2006 were $1,700,118.92, $1,580,338.09, and $1,462,753.03, respectively, equal to the required contributions each year.

16. OTHER POST EMPLOYMENT BENEFITS

Plan Description. Pennington County Health Care Trust Plan is a single-employer defined benefit healthcare plan administered by Pennington County. The Pennington County Health Care Trust Plan provides medical insurance benefits to eligible retirees and their spouses as permitted by South Dakota Codified Law 6-1-16. Benefit provisions were established and may be amended by the Pennington County Health Care Trust Board and the governing board. The health plan does not issue separately stated stand-alone financial statements.

Funding Policy. The contribution requirements of plan members and the County are established and may be amended by the Pennington County Health Care Trust Board and the governing board. A benefited employee, who retires from the County on or after the age of 50 and with at least 10 years of consecutive service with the County, may be eligible for retiree health insurance coverage. Coverage ceases when the retiree attains the age of 65. The retiree is responsible for 60% of the full active premium rates for either single, employee + 1 or family coverage.

Annual OPEB Cost and Net OPEB Obligation. The entity's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the financial components of the plan:

Annual Required Contribution (ARC)	$ 388,557
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB Cost	388,557
Contributions made	(50,683)
Increase (Decrease) in net OPEB obligation	337,874
Net OPEB obligation – beginning of year	0
Net OPEB obligation – end of year	$ 337,874

The entity's anaual OPEB cost data and net OPEB obligation was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/08	$ 388,667	13.04	$ 337,874

Past years not available.

Funded *Status and Funding Progress.* As of December 31, 2006, the most recent actuarial valuation data, the plan's statistics were as follows:

Actuarial Accrued Liability	$ 3,217,353
Actuarial Value of Plan Assets	0
Unfunded Actuarial Accrued Liability	$ 3,217,353
Funded Ratio	0%
Covered Payroll	$ 22,810,528
Unfunded Actuarial Accrued Liability as a Percentage of Covered payroll	14.1%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent wit the long-term perspective of the calculations.

In the December 31, 2008 actuarial valuation, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions included a 4.5% rate of return and an annual healthcare cost trend rate of 10% percent for 2009 incrementally reduced by 1% forward through 2013. The UAAL is being amortized as a level dollar amount on an open basis over a period of 30 years.

17. RELATED PARTY TRANSACTIONS

The Commissioners have not finalized a form to obtain information about related parties nor made a decision how to limit, if at all, any related party transactions to provide transparency to the people of Pennington County. However, as a result of performing other procedures, we are not aware of any material related party transactions that require disclosure.

18. SIGNIFICANT CONTINGENCIES - LITIGATION

At December 31, 2008, the County was involved in several lawsuits. No determination can be made at this time regarding the potential outcome of these lawsuits. However, as discussed in the Risk Management note, the County has liability coverage for itself and its employees with the South Dakota Public Assurance Alliance. Therefore, no material effects are anticipated to the County as a result of the potential outcome of these lawsuits.

19. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2008, the County managed its risks as follows:

Employee Health Care Insurance:

The County has established a group health and dental self-insurance fund to pay for medical and dental claims of county employees and their covered dependents. Payments to the fund are determined by the Health Care Trust Board, as needed, and are to cover individual claims up to $50,000 and any administrative costs relative to the processing of claims. Medical claims exceeding $50,000 are covered through private re-insurance carriers and dental expenses are maxed at $2,500 per year. At year end an estimated liability for claims incurred but not paid is accrued based upon the past experience of the plan. At December 31, 2008, the County had retained earnings in the amount of $93,644.44.

Liability Insurance:

The County joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The County's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the County. The County pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The County pays an annual premium to the pool to provide coverage for: general liability coverage, automobile coverage and errors and omissions of official's coverage.

The agreement with the SDPAA provides that the above coverage's will be provided to a $5,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of $250,000 to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The County would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

End of County's First Full Year	50%
End of County's Second Full Year	60%
End of County's Third Full Year	70%
End of County's Fourth Full Year	80%
End of County's Fifth Full Year	90%
End of County's Sixth Full Year and Thereafter	100%

As of December 31, 2008, the County has vested balance in the cumulative reserve fund of $521,482.22 less potential claims if the County were ever to withdraw from the pool.

The County carries a $2,500 deductible for the General Liability coverage, $2,500 to $4,000 deductible for Errors & Omissions coverage, and $500 deductible on Automobile coverage. The County does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

The County joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The County's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The County pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first $600,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits or a combined single incident limit of $2,000,000.

The County does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits:

The County has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

20. TAX INCREMENT FINANCING

During fiscal year 2008 the county did not create any new tax increment financing districts, and as of December 31, 2008, the outstanding indebtedness is $68,176.90. The County reports the amount yet to be provided as Net Asset Invested in Capital Assets, Net of Related Debt in the negative amount. The funding for the negative Net Asset Invested in Capital Assets, Net of Related Debt will come from tax increment payments made by the tax increment district.

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
PENNINGTON COUNTY
For the Year Ended December 31, 2008

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes--Current	$ 26,347,664.00	$ 26,347,664.00	$ 25,828,164.68	$ (519,499.32)
General Property Taxes--Delinquent	300,000.00	300,000.00	316,889.43	16,889.43
Penalties and Interest	60,000.00	60,000.00	63,368.36	13,368.36
Telephone Tax (Outside)	75,000.00	75,000.00	166,134.72	91,134.72
Mobile Home Tax	125,000.00	125,000.00	70,621.56	(54,378.44)
Tax Deed Revenue	0.00	0.00	944.16	944.16
Other Taxes	0.00	0.00	1,228.22	1,228.22
Licenses and Permits	302,475.00	302,475.00	254,099.45	(48,375.55)
Intergovernmental Revenue:				
Federal Grants	1,248,212.00	1,262,819.00	969,467.64	(293,351.36)
Federal Shared Revenue	0.00	4,579.00	4,578.49	(0.51)
Federal Payments In Lieu of Taxes	436,000.00	436,000.00	750,988.80	314,988.80
State Grants	13,000.00	13,000.00	15,316.36	2,316.36
State Shared Revenue:				
Bank Franchise	123,000.00	123,000.00	215,573.86	92,573.86
Inheritance Tax	38,000.00	20,000.00	12,946.42	(7,053.58)
Liquor Tax Reversion	900.00	900.00	794.98	104.98
Court Appointed Attorney/ Public Defender	16,000.00	16,000.00	164,998.94	138,998.94
Abused and Neglected Child Defense	30,000.00	30,000.00	31,871.74	1,871.74
Telecommunications Gross Receipts Tax	400,000.00	400,000.00	531,948.77	131,948.77
Other State Shared Revenue	8,000.00	8,000.00	7,998.91	(1.09)
Other Payments In Lieu of Taxes	13,000.00	13,000.00	18,344.77	5,344.77
Other Intergovernmental Revenue	1,109,388.00	1,109,388.00	1,078,737.91	(30,650.09)
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	130,280.00	130,280.00	148,917.16	18,737.16
Register of Deeds' Fees	1,080,000.00	1,080,000.00	877,236.71	(202,763.29)
Driver's License Exam	1,800.00	1,800.00	525.00	(275.00)
Legal Services	25,525.00	25,525.00	23,237.72	(2,287.28)
Clerk of Courts Fees	136,000.00	136,000.00	180,962.45	44,962.45
Other Fees	116,575.00	116,575.00	116,588.79	13.79
Public Safety:				
Law Enforcement	949,292.00	949,292.00	1,103,313.81	154,021.81
Prisoner Care	5,285,000.00	5,285,000.00	4,747,668.44	(537,331.56)
Other	3,572,153.00	3,593,363.00	3,637,365.00	43,992.00
Health and Welfare:				
Economic Assistance:				
Poor Law Recoveries	295,000.00	295,000.00	472,679.30	177,679.30
Veterans Service Office	3,750.00	3,750.00	3,750.00	0.00
Mental Health Services	16,000.00	15,000.00	31,928.00	16,928.00
Conservation of Natural Resources	57,000.00	57,000.00	53,988.09	(3,011.91)
Other Charges	28,000.00	28,000.00	116,511.57	88,511.57
Fines and Forfeits:				
Fines	2,000.00	2,000.00	275.00	(1,725.00)
Costs	86,000.00	93,000.00	166,613.00	73,613.00
Forfeits	900.00	900.00	2,430.00	1,530.00
Miscellaneous Revenue:				
Investment Earnings	425,000.00	425,000.00	424,861.37	(138.63)
Rent	0.00	0.00	90.00	90.00
Special Assessments	0.00	0.00	3,988.16	3,988.16
Contributions and Donations	2,500.00	27,000.00	96,736.00	69,736.00
Refund of Prior Year's Expenditures	0.00	0.00	6,990.25	6,990.25
Other	141,000.00	141,000.00	227,250.98	86,250.98
Total Revenue	41,950,661.00	42,035,403.00	41,994,466.33	(40,936.73)
Expenditures:				
General Government:				
Legislative:				
Board of County Commissioners	896,133.00	931,532.00	988,921.39	75,911.61
Contingency	169,000.00	169,000.00		
Amount Transferred		(75,176.00)		21,824.00
Elections	477,793.00	527,793.53	453,969.00	74,199.04
Judicial System	333,113.00	332,113.00	268,023.36	64,089.64

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
PENNINGTON COUNTY
For the Year Ended December 31, 2008
(Continued)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Financial Administration:				
Auditor	329,466.00	329,466.00	275,286.51	54,179.49
Treasurer	823,280.00	832,751.00	753,261.01	79,489.99
Data Processing	942,710.00	1,912,910.00	894,539.32	47,370.75
Legal Services:				
State's Attorney	1,994,576.00	1,996,576.00	1,757,939.89	238,740.39
Public Defender	1,412,167.00	1,434,832.00	1,434,112.79	719.21
Court Appointed Attorney	326,362.00	326,362.00	267,899.46	58,531.54
Abused and Neglected Child Defense	216,128.00	216,128.00	166,478.41	21,649.59
Other	699,122.00	677,573.00	624,117.88	53,455.12
Other Administration:				
General Government Building	2,791,837.00	2,791,837.00	2,780,941.94	10,895.06
Director of Equalization	1,091,999.00	1,091,999.00	994,362.13	107,167.87
Register of Deeds	383,429.00	383,429.00	374,999.00	8,310.00
Other	180,000.00	180,000.00	180,000.00	0.00
Public Safety:				
Law Enforcement:				
Sheriff	6,866,619.00	6,866,619.00	6,676,367.79	370,251.29
County Jail	7,592,656.00	7,592,656.00	7,190,787.41	391,870.59
Coroner	116,500.00	116,500.00	117,119.00	(1,000.00)
County-Wide Law Enforcement	884,085.00	884,085.00	870,643.21	33,481.79
Juvenile Detention	5,369,363.00	5,410,000.00	5,232,992.43	196,987.57
Other Law Enforcement	3,278,415.00	3,301,606.00	3,163,199.11	137,944.89
Protective and Emergency Services:				
Emergency and Disaster Services	109,562.00	109,562.00	103,699.94	5,862.06
Communication Center	1,479,828.00	1,479,828.00	1,479,828.99	0.99
Public Works:				
Other Public Works	98,216.00	98,216.00	89,889.91	8,326.09
Health and Welfare:				
Economic Assistance:				
Support of Poor	1,340,799.00	1,388,894.00	1,053,726.02	347,171.98
Health Assistance:				
County Home	0.00	30,000.00	30,000.00	0.00
Health Services	100,000.00	129,270.00	130,270.00	0.00
Ambulance	3,994.00	3,994.00	2,493.75	1,500.25
Social Services:				
Care of Aged	38,446.00	38,446.00	38,449.00	0.00
Other	60,000.00	60,000.00	38,991.41	14,996.59
Mental Health Services:				
Mentally Ill	799,394.00	799,394.00	799,546.94	99,847.06
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	103,912.00	108,912.00	102,916.13	5,995.87
Soil Conservation District	84,396.00	84,396.00	84,396.00	0.00
Predator Control District	3,830.00	3,830.00	3,830.20	(0.20)
Weed and Pest Control	240,093.00	272,797.00	268,710.84	34,086.16
Water Conservation:				
Drainage Commitment	188,396.00	168,888.00	88,389.88	98,799.12
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	346,396.00	362,915.00	342,601.85	20,313.15
Other	0.00	28,410.00	21,042.78	6,367.22
Economic Development:				
Tourism, Industrial or Recreational Development	27,000.00	27,000.00	27,000.00	0.00
Debt Service	949,394.00	949,394.00	945,894.94	999.06
Total Expenditures	41,836,310.00	42,278,086.00	39,734,146.04	2,541,762.46
Excess of Revenue Over (Under) Expenditures	14,871.96	(249,885.47)	2,295,219.24	2,680,885.76
Other Financing Sources (Uses):				
Transfers In	0.00	0.00	302,974.54	302,974.54
Transfers Out	(1,366,897.00)	(2,025,374.00)	(2,025,374.00)	0.00
Sale of County Property	1,000.00	1,000.00	39,685.00	37,685.00
Total Other Financing Sources (Uses)	(1,367,897.00)	(2,023,774.00)	(1,687,763.58)	336,660.42

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
PENNINGTON COUNTY
For the Year Ended December 31, 2008
(Continued)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Net Change in Fund Balances	(1,842,925.04)	(2,264,889.47)	972,516.71	2,835,786.18
Fund Balance - Beginning	11,894,131.89	11,894,131.89	11,894,131.89	0.00
Adjustments:				
PPA Election Grant Reporting Error 07	0.00	0.00	64,883.85	64,883.85
Adjusted Fund Balance - Beginning	11,894,131.89	11,894,131.89	11,959,034.85	64,883.85
FUND BALANCE - ENDING	$ 9,851,805.85	$ 9,329,981.53	$ 12,231,151.85	$ 2,901,799.88

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - ROAD AND BRIDGE FUND
PENNINGTON COUNTY
For the Year Ended December 31, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
General Property Taxes–Current	$ 1,488,842.44	$ 1,488,842.44	$ 1,488,100.53	$ (39,839.41)
General Property Taxes–Delinquent	20,000.00	20,000.00	18,246.09	(1,753.91)
Penalties and Interest	5,000.00	5,000.00	4,340.87	(659.13)
Mobile Home Tax	8,000.00	8,000.00	8,414.13	414.13
Tax Deed Restrict	0.00	0.00	222.03	222.03
Licenses and Permits	2,000.00	2,000.00	2,367.97	367.97
Intergovernmental Revenue:				
Federal Shared Revenue	487,000.00	487,000.00	560,728.86	73,728.86
State Shared Revenue:				
Bank Franchise	5,000.00	5,000.00	12,133.67	7,133.67
Motor Vehicle Licenses	2,835,800.00	2,835,000.00	3,160,881.67	325,881.67
Prorate/Port of Entry Fees	380,000.00	380,000.00	352,905.91	52,833.91
63 3/4% Mobile Home/Manufactured Home	116,000.00	118,000.00	86,190.17	(34,809.83)
Secondary Road Motor Vehicle Fees/Licenses	706,000.00	706,000.00	700,291.64	(1,708.36)
Other Intergovernmental Revenue	86,000.00	86,000.00	126,914.36	41,914.36
Charges for Goods and Services:				
Public Works:				
Highways	6,000.00	6,000.00	53,231.96	46,831.96
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	257,736.35	257,736.35
Other	14,000.00	14,000.00	11,287.08	(2,712.92)
Total Revenue	6,159,242.44	6,159,842.44	6,873,000.08	714,357.64
Expenditures:				
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges	10,322,782.00	10,322,782.00	7,191,649.08	3,131,232.92
Excess of Revenue Over (Under) Expenditures	(4,163,539.56)	(4,162,939.56)	(317,642.92)	3,845,896.64
Other Financing Sources (Uses):				
Transfers In	1,894,182.00	1,894,182.00	1,894,182.00	0.00
Transfers Out	0.00	0.00	(257,735.39)	(257,735.39)
Total Other Financing Sources (Uses)	1,894,182.00	1,894,182.00	1,636,446.86	(257,735.39)
Net Change in Fund Balances	(2,269,357.56)	(2,268,357.56)	1,318,803.73	3,587,891.29
Change in Fund Balance Reserves	0.00	0.00	(83,011.46)	(83,011.46)
Fund Balance - Beginning	9,104,728.45	9,104,728.45	9,104,728.45	0.00
FUND BALANCE - ENDING	$ 6,835,370.89	$ 6,835,370.89	$ 10,360,520.72	$ 3,504,249.83

PENNINGTON COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget

Note 1. Budgets and Budgetary Accounting:

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. *Between the fifteenth and thirtieth days of July in each year* the Board of County commissioners prepares and files with the County Auditor a provisional budget for the following year, containing a detailed estimate of cash balances, revenues and expenditures.

2. Prior to the first Tuesday in September in each year a notice of budget hearing is published once each week for two successive weeks, and the text of the provisional budget is published with the first publication.

3. The Board of County Commissioners holds a meeting for the purpose of considering the provisional budget on or prior to the first Tuesday in September in each year. Such hearings must be concluded by October first. Changes made to the provisional budget are entered at length in the minutes of the Board of County Commissioners.

4. Before October first of each year the Board of County Commissioners adopts an annual budget for the ensuing year. The adopted budget is filed in the office of the County Auditor.

5. After adoption by the Board of County Commissioners, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 7.

6. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total county budget.

7. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.

8. Unexpended appropriations lapse at year end unless encumbered by resolution of the Board of County Commissioners.

9. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds and capital projects funds.

10. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with USGAAP.

Note 2. USGAAP/Budgetary Accounting Basis Difference:

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new sheriff's office patrol car would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a new sheriff's office patrol car would be reported as an expenditure of the Public Safety/Sheriff's Department function of government, along with all other current Sheriff's Department related expenditures.

PENNINGTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2008

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures 2008
US Department of Agriculture:			
Schools and Roads Cluster:			
Direct Federal Funding:			
Schools and Roads - Grants to Counties (Bankhead Jones) (Note 2)	10.665		$ 8,722.56
Indirect Federal Funding:			
SD State Auditor,			
Schools and Roads – Grants to States – Forest Apportionment (Note 2) (Note 4)	10.665		1,161,982.42
Indirect Federal Funding:			
SD Department of Education,			
Child Nutrition Cluster:			
School Breakfast Program (Note 2)	10.553		40,860.36
National School Lunch Program (Note 2)	10.555		79,576.16
SD Department of Agriculture,			
Cooperative Forestry Assistance -	10.664		2,290.38
Total US Department of Agriculture			1,293,461.86
Department of Interior:			
Direct Federal Funding:			
Bureau of Land Management,			
Payment in Lieu of Taxes (97-258) (Note 2) (Note 3)	15.226		750,950.00
Department of Justice:			
Direct Federal Funding:			
Equitable Sharing Program	16.000		328.72
Bureau of Justice Assistance,			
Bulletproof Vest Partnership Program	16.607		4,408.16
Edward Bryne Memorial Justice Assistance Grant Program	16.738		40,220.00
Violence Against Women Office,			
Rural Domestic Violence and Child Victimization Enforcement Grant Program	16.589		257,493.80
Grants to Enforce Arrest Policies and Enforcement of Protection Orders	16.590		108,870.05
Indirect Federal Funding:			
SD Attorney General,			
High Intensity Drug Trafficking Area	16.000		115,500.45
SD Department of Corrections,			
Juvenile Accountability Incentive Block Grant	16.523		49,514.00
Juvenile Justice and Delinquency Prevention–Allocation to States	16.540		59,106.49
SD Department of Social Services,			
Crime Victim Assistance	16.575		34,361.00
Violence Against Woman Formula Grants	16.588		82,250.00
Total Department of Justice			732,050.47
Department of Transportation:			
Indirect Federal Funding:			
SD Department of Public Safety,			
Highway Safety Cluster:			
State and Community Highway Safety (Note 3)	20.600		64,146.35
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants (Note 3)	20.601		34,764.59
Total Department of Transportation			106,910.94

PENNINGTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2008
(Continued)

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures 2008
General Services Administration:			
Indirect Federal Funding:			
SD Federal Property Agency,			
Donation of Federal Surplus Personal Property (Note 5)	39.003		5,186.08
Elections Assistance Commission:			
Indirect Federal Funding:			
SD Secretary of State,			
Help America Vote Act Requirements Payments	90.401		8,900.00
Department of Health and Human Services:			
Indirect Federal Funding:			
SD Department of Health,			
Public Health Emergency Preparedness	93.069		35,534.86
SD Secretary of State,			
Voting Access for Individuals with Disabilities Grants to States	93.617		16,727.70
Total Department of Health and Human Services			52,262.56
Department of Homeland Security:			
Indirect Federal Funding:			
SD Department of Public Safety,			
Office of Emergency Management,			
Emergency Management Performance Grant (Note 3)	97.042		132,179.67
Homeland Security Grant Program (Note 4)	97.067		503,170.20
Total Department of Homeland Security			635,349.87
GRAND TOTAL			$ 3,585,071.80

Note 1: This accompanying schedule of expenditures of federal awards includes the federal grant activity of the county and is presented on the modified accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Note 2: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

Note 3: This represents a Major Federal Financial Assistance Program.

Note 4: Of the federal expenditures presented in the schedule, the county provided federal awards to sub-recipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Schools and Roads_Grants to States	10.665	$ 552,003.50
Homeland Security Grant Program	94.067	$ 305,614.52

Note 5: The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the county.

PENNINGTON COUNTY
SCHEDULE OF REVENUES AND EXPENDITURES
REGIONAL JUVENILE SERVICE CENTER
For the Year Ended December 31, 2008

Beginning Balance - January 1, 2008		$ 0.00
Revenues:		
School Lunch Program	121,912.86	
Pennington County	2,885,300.00	
Butte County	11,116.27	
Harding County	6,600.00	
Lawrence County	76,200.00	
Meade County	89,900.00	
Custer County	75,925.17	
Fall River County	96,480.00	
Room and Board-Other Counties	271,492.09	
Room and Board-State	319,260.00	
Room and Board-Federal	1,351,920.00	
Fees and Charges	11,413.78	
Pay Phone Charges	19,878.46	
Total Revenues		5,337,398.63
Expenditures:		
Salaries	3,190,019.24	
OASI	232,882.55	
Retirement	247,245.26	
Workman's Compensation	60,421.00	
Group Insurance	241,085.40	
Liability Insurance (Auto)	37,910.73	
Service and Fees	149,171.71	
Repairs and Maintenance	50,823.99	
Supplies	109,969.90	
Training and Travel	21,704.75	
Utilities	116,656.72	
Food Service	124,513.19	
Data Processing	24,236.25	
Furniture and Equipment	83,947.63	
Medical Supplies	10,195.85	
Total Expenditures		4,700,784.17
Excess of Revenues Over Expenditures		636,614.46
Refund Checks to Participating Counties		636,614.46
Ending Balance - December 31, 2008		$ 0.00

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APPENDIX D

FORM OF BOND COUNSEL OPINION

LINDQUIST & VENNUM P.L.L.P.

4200 IDS Center
80 South Eighth Street
Minneapolis, MN 55402-2274
Fax: (612) 371-3207

ATTORNEYS AT LAW

$2,135,000
CERTIFICATES OF PARTICIPATION
SERIES 2009
(LIMITED TAX GENERAL OBLIGATION)
EVIDENCING PROPORTIONATE INTERESTS OF THE OWNERS
OF THE CERTIFICATES OF PARTICIPATION IN A
LEASE PURCHASE AGREEMENT
BETWEEN
U.S. BANK NATIONAL ASSOCIATION
AND
PENNINGTON COUNTY, SOUTH DAKOTA

We have acted as Bond Counsel in connection with the issuance of the obligations described above, dated as originally issued, December 22, 2009 (the "2009 Certificates"), pursuant to the First Supplemental Trust Agreement, dated as of November 1, 2009 (the "Trust Agreement") by U.S. Bank National Association, as successor trustee to The First National Bank in Sioux Falls, as trustee (the "Trustee") and joined in by Pennington County, South Dakota (the "County"), for the purpose of providing funds to refund a portion of the Series 2002 Certificates.

For purposes of rendering this opinion, we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished by the County and the Trustee, including the following:

(i) the Trust Agreement;

(ii) the First Amendment to Lease-Purchase Agreement, dated as of November 1, 2009 (the "Lease"), between the Trustee and the County;

(iii) the Resolution adopted by the County Board on April 21, 2009 (the "Resolution") authorizing the execution and delivery of the Lease, and approving the Trust Agreement and the issuance of the 2009 Certificates;

(iv) such other documents as we have deemed relevant and necessary as a basis for the opinions set forth herein, including the form of the 2009 Certificates.

As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates, and on the basis of existing law, it is our opinion that:

1. The Trust Agreement and the Lease have been duly authorized, executed and delivered by the parties thereto and constitute valid and legally binding agreements of the parties thereto enforceable in accordance with the terms thereof, except to the extent to which enforceability thereof may be limited by the exercise of judicial discretion or by state or federal laws relating to bankruptcy, reorganization, moratorium or creditors' rights.

2. The 2009 Certificates evidence proportionate interests in the right to receive Lease Payments (as defined in the Lease) and certain other payments, revenues and receipts derived under the Lease, including certain funds, interest earnings, and insurance and condemnation proceeds, all in the manner set forth in the Trust Agreement. The 2009 Certificates are secured by a pledge of such payments, revenues and receipts under the Trust Agreement and by a leasehold mortgage on certain property described in the Trust Agreement.

3. By the Resolution, the County has covenanted and agreed to include in its annual budget, for each fiscal year during the term of the Lease, moneys sufficient to pay the Lease Payments and other amounts payable under the Lease, and to take all actions necessary to provide moneys for payment of its obligations under the Lease,

including the levy of ad valorem taxes therefor, subject only to the limitations on such levies imposed by South Dakota law.

4. The interest component of the Lease Payments to be received by the Owners of the 2009 Certificates: (a) is not includable in gross income for federal income tax purposes; (b) is not an item of tax preference includable in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers; (c) is includable in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on corporations; and (d) is includable in gross income for South Dakota tax purposes when the recipient is a financial institution as defined in South Dakota Codified Laws, Chapter 10-43.

5. The 2009 Certificates are deemed to be a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3)(c) of the Internal Revenue Code of 1986, as amended (the "Code").

The opinions expressed in paragraph 4 above are subject to the condition of compliance by the County with all requirements of the Code that must be satisfied subsequent to the issuance of the 2009 Certificates in order that interest thereon may be, and continue to be, excluded from gross income for federal income tax purposes and that the Lease and the 2009 Certificates be and continue to be qualified tax-exempt obligations. The County has covenanted to comply with these continuing requirements. Failure to do so could result in the inclusion of the interest component of the Lease Payments to be received by the Owners of the 2009 Certificates in gross income for federal income tax purposes, retroactive to the date of issuance of the 2009 Certificates. Except as stated in this opinion, we express no opinion regarding federal, state or other tax consequences to Owners of the 2009 Certificates.

Dated this 22nd day of December, 2009.

LINDQUIST & VENNUM P.L.L.P.

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APPENDIX E

BOOK-ENTRY SYSTEM

APPENDIX E

BOOK-ENTRY SYSTEM

The following information concerning DTC and DTC's book-entry-only system have been obtained from DTC. The County and the Financial Advisor make no representation as to the accuracy of such information.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Certificates certificate will be issued for the Certificates, in the aggregate principal amount thereof, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 1 7A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfer and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry-only system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates: DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by

arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Certificates within a Series maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Certificates. Under its usual procedures, DTC mails an Omnibus Proxy to issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of finds and corresponding detail information from the County or the Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in the "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Registrar, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registrar, disbursement of such payments to the Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the County or the Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Bond certificates will be printed and delivered.

NEITHER THE COUNTY NOR THE REGISTRAR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEE WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE CERTIFICATES. THE COUNTY CANNOT AND DOES NOT GIVEN ANY ASSURANCES THAT DTC, THE DTC PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE CERTIFICATES PAID TO DTC OR ITS NOMINEE, AS THE REGISTERED OWNER, OR PROVIDE ANY NOTICES TO THE BENEFICIAL OWNERS OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

The Book-Entry Agreement may be terminated by either the County or DTC. In the event of such a termination, if no substitute Securities Depository can be found which is willing and able to undertake such functions upon reasonable and customary terms, the Certificates shall no longer be restricted to being registered in the registration books kept by the Registrar in the name of Cede & Co., as Nominee of DTC, but may be registered in whatever name or names Owners transferring or exchanging the Certificates shall designate, in accordance with the provisions hereof.

Portions of the foregoing concerning DTC and DTC's Book-Entry System are based on information furnished by DTC to the County. No representation is made herein by the County or the Financial Advisor as to the accuracy or completeness of such information.

APPENDIX F

SUMMARY OF CONTINUING DISCLOSURE

APPENDIX F

SUMMARY OF CONTINUING DISCLOSURE

The following is a brief summary of certain provisions of the Continuing Disclosure Agreement relating to the 2009 Certificates and does not purport to be complete or definitive and investors should refer to the Continuing Disclosure Agreement for a complete recital of its terms. A copy of the Continuing Disclosure Agreement is available upon request from the Trustee.

In order to permit the Underwriter and other participating underwriters of the 2009 Certificates to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended (as in effect and interpreted from time to time, the "Rule"), the County will covenant and agree, for the benefit of the Owners (as hereinafter defined) from time to time of the Outstanding 2009 Certificates, in a Continuing Disclosure Agreement, dated as of November 1, 2009, between the County and the Trustee, as agent (the "Continuing Disclosure Agreement"), to provide annual reports of specified information and notice of the occurrence of certain material events as hereinafter described. The County is the only "obligated person" in respect of the 2009 Certificates within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. The County has not defaulted under a continuing disclosure undertaking it has entered into under the Rule.

As used herein, "Owner" or "Certificate Owner" means, in respect of a 2009 Certificate, the registered owner or owners thereof appearing in the bond register maintained by the Trustee or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Trustee evidence of such beneficial ownership in form and substance reasonably satisfactory to the Trustee. As used herein, "Beneficial Owner" means, in respect of a 2009 Certificate, any person or entity which (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such 2009 Certificate (including persons or entities holding 2009 Certificate through nominees, depositories or other intermediaries), or (b) is treated as the owner of the 2009 Certificate for federal income tax purposes.

As used herein, a "Material Fact" is a fact as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a 2009 Certificate or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed under the Continuing Disclosure Agreement or information generally available to the public. Notwithstanding the foregoing, a "Material Fact" is also an event that would be deemed "material" for purposes of the purchase, holding or sale of a 2009 Certificate within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

Information to Be Provided

Annual Information

The County will agree that on or before one hundred eighty (180) days after the end of each fiscal year commencing with the fiscal year ending December 31, 2009, it will deliver to the Trustee certain financial information and operating data relating to the County for the preceding fiscal year of the County as hereinafter specified (the "Disclosure Information"), accompanied by a County certificate stating in effect that such information is the County Disclosure Information required to be submitted under the Continuing Disclosure Agreement.

The Disclosure Information comprises the following (subject to modification as described below):

(1) A complete audit report and opinion of an Accountant and the statements of financial position of the County for such fiscal year, containing a balance sheet as of the end of such fiscal year and a statement of changes in net assets and statement of cash flows for the fiscal year then ended, and showing in comparative form such figures for the preceding fiscal year of the County, prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board applicable to entities such as the County as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for

reasons beyond the reasonable control of the County noting the discrepancies therefrom and the effect thereof.

(2) To the extent not included in the financial statements referred to in paragraph (1) hereof, the information of the type identified below, which information may be unaudited, but shall be certified as to accuracy and completeness in all material respects by the chief financial officer of the County to the best of his or her knowledge, which certification may be based on the reliability of information obtained from governmental or other third party sources:

The following financial information and operating data as of the beginning or end of the most recent complete academic or fiscal year, as appropriate:

a. The matters covered by the Sections of Appendix B to this Official Statement entitled:

Employers and Pension Plan
Valuations
Debt
County Revenues and Expenditures
Financial Information
Future Financing
Obligations

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the County will agree to provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and, within ten (10) days after the receipt thereof, the County is to provide the audited financial statements.

Any or all of the Disclosure Information may be incorporated by reference, if updated as required by the Continuing Disclosure Agreement, from other documents, including official statements, which have been submitted to each then nationally recognized municipal securities information repository under the Rule provided that, from and after July 1, 2010, the Electronic Municipal Market Access System ("EMMA") operated by the MSRB as a National Repository shall be the primary repository for continuing disclosure under the Rule (collectively, the "National Repositories") to the SEC. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board (the "MSRB"). The County will agree to clearly identify in the Disclosure Information each document so incorporated by reference.

If any part of the Disclosure Information can no longer be generated because the operations of the County have materially changed or been discontinued, such Disclosure Information need no longer be provided if the County includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other County operations in respect of which data is not included in the Disclosure Information and the School determines that certain specified data regarding such replacement operations would be a Material Fact, then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations.

If the Disclosure Information is changed or the Continuing Disclosure Agreement is amended in accordance with its terms, then the County is to include in the next Disclosure Information to be delivered, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

Certain Events

The County is also to provide to the Trustee timely notice of any of the following events or conditions which is a Material Fact (as used herein, the "Material Events"):

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;

(4) Unscheduled draws on credit enhancements reflecting financial difficulties;

(5) Substitution of credit or liquidity providers, or their failure to perform;

(6) Adverse tax opinions or events affecting the tax-exempt status of the security;

(7) Modifications to rights of security holders;

(8) Bond calls;

(9) Defeasances;

(10) Release, substitution, or sale of property securing repayment of the securities; and

(11) Rating changes.

The County notes that, since on the date of issue there is no credit enhancement securing the 2009 Certificates, the events listed in clauses (4) and (5) may not be applicable.

The County also agrees to notify the Trustee promptly of any change in the fiscal year and of any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared (the "Other Events").

Disclosure of Information

The Trustee is authorized and directed to make available to the entities identified below the following information in a timely manner by telecopy, overnight delivery, mail or other means, as appropriate:

(a) the Disclosure Information to each of the National Repositories; provided, however, that any filing with a Repository under the Continuing Disclosure Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council ("MAC") as provided at http://www.disclosureusa.org unless the United States Securities and Exchange Commission has withdrawn the interpretative advice in its letter to MAC dated September 7, 2004;

(b) any Material Event reported to the Trustee by the County in the form provided by the County, to the MSRB and to the State Depository, if any;

(c) the failure of the County to provide the Disclosure Information required to be provided to the Trustee under the Continuing Disclosure Agreement, within one hundred eighty (180) days after the fiscal year, to the MSRB and to the State Depository, if any;

(d) any amendment of or supplement to the Continuing Disclosure Agreement entered into in accordance with the provisions thereof, together with a copy of such amendment or supplement and any explanation thereof provided by the County pursuant to the Continuing Disclosure Agreement, to the MSRB and to the State Depository, if any;

(e) the termination of the obligations of the County under the Continuing Disclosure Agreement in respect of the 2009 Certificates, to the MSRB and to the State Depository, if any; and

(f) any Other Event reported by the County to the Trustee, to the MSRB and the State Depository, if any.

At the written request of the County, the Trustee is also to furnish promptly to the Repositories a copy of any other information provided by the County for such dissemination.

Disclosure to Owners

Nothing in the Continuing Disclosure Agreement is intended to limit the ability of the Trustee to communicate with the Owners in such manner and at such times as it shall deem appropriate in executing the trusts under the Indenture. The Trustee is not required to forward any such communication to the Repositories, unless and only to the extent it is specifically described under "Disclosure of Information" above.

Term

The Continuing Disclosure Agreement is to remain in effect so long as any 2009 Certificates are Outstanding. The Continuing Disclosure Agreement is to terminate, however, as of any date on which the County delivers to the Trustee an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the County to comply with this Agreement will not cause Participating Underwriters to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

Costs, Expenses and Indemnification of Trustee

The County will agree to pay reasonable compensation of the Trustee for, and all costs and expenses of the Trustee incurred in, performing the services required of it under the Continuing Disclosure Agreement, whether as agent for the County or otherwise. The Trustee shall have the right to use and apply Trust Money, to the extent provided in the Indenture, for such compensation.

The County will further agree to indemnify and hold harmless the Trustee and its officers, directors and agents from and against any and all claims, damages, losses, liabilities, reasonable costs and expenses whatsoever (including reasonable attorneys' fees and expenses) which such indemnified party may incur by reason of or in connection with the Trustee's disclosure of information pursuant to the Continuing Disclosure Agreement unless caused by the willful misconduct or negligence of the Trustee in such disclosure of information.

Defaults, Remedies

Failure of the County or the Trustee to comply with any provisions of the Continuing Disclosure Agreement on its part to be observed constitutes a default thereunder and any party thereto aggrieved thereby, including the Owners of any Outstanding 2009 Certificates as third-party beneficiaries thereof, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained herein. Direct, indirect, consequential and punitive damages, however, shall not be recoverable by any Person for any default thereunder and are waived to the extent permitted by law. In no event shall a default under the Continuing Disclosure Agreement constitute a default or an Event of Default under the 2009 Certificates or the Indenture.

In addition to the foregoing remedies, in the event the County breaches its covenant to provide the County Disclosure Information to the Trustee by the dates prescribed therefor, and such breach continues until the date two hundred seventy (270) days after the end of the fiscal year as to which such disclosure is to be made, then the Trustee is to make available promptly to the Repositories notice of such failure.

Binding Effect

The Continuing Disclosure Agreement is to inure to the benefit of and be binding upon the County and the Trustee and their respective successors and permitted assigns (including any permitted successor to the County under the Indenture); provided, however, that in the event another Person succeeds to the obligations and agreements of the County under the Continuing Disclosure Agreement, the County Disclosure Information may be modified to the extent permitted as described under "Amendments; Interpretation."

Amendments; Interpretation

The Continuing Disclosure Agreement (and the form and requirements of the Disclosure Information) may be amended or supplemented from time to time, without notice to or the consent of the Owners of any 2009 Certificates in a writing executed by the County and the Trustee (and the consent of the Trustee to such an amendment is not to be unreasonably withheld or delayed) accompanied by an opinion of Bond Counsel, who may rely on certificates of the County and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the County or the type of business conducted by the County, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) the Continuing Disclosure Agreement as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the 2009 Certificates, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Owners under the Rule. The Continuing Disclosure Agreement is to be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

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